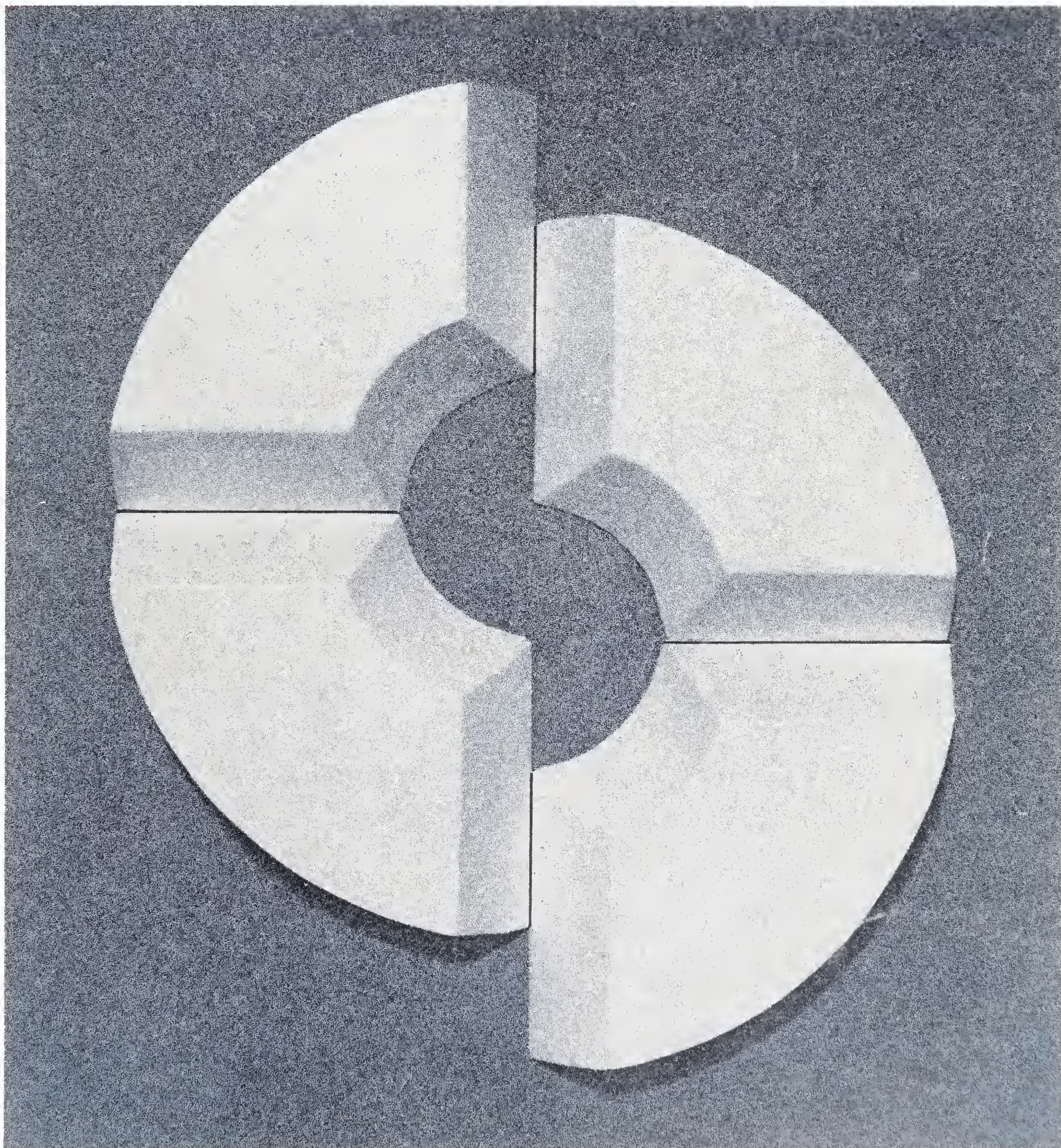




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Comptroller

C. T. Conover

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Background

The Office of the Comptroller of the Currency (OCC) was established in 1863 as a bureau of the Department of the Treasury. The OCC is headed by the Comptroller who is appointed by the President, with the advice and consent of the Senate, for a 5-year term.

The OCC regulates national banks by its power to:

- Approve or deny applications for new charters, branches, capital or other changes in corporate or banking structure;
- Examine the banks;
- Take supervisory actions against banks which do not conform to laws and regulations or which otherwise engage in unsound banking practices, including removal of officers, negotiation of agreements to change existing bank practices and issuance of cease and desist orders, and
- Issue rules and regulations concerning banking practices and governing bank lending and investment practices and corporate structure.

The OCC divides the United States into 12 geographical regions, with each headed by a Regional Administrator.

The Office is funded through assessments on the assets of national banks.

The Comptroller

C. T. Conover became the 25th Comptroller of the Currency on December 16, 1981.

By statute, the Comptroller serves a concurrent term as a Director of the Federal Deposit Insurance Corporation, a member of the Federal Financial Institutions Examination Council and a nonvoting member of the Depository Institutions Deregulation Committee.

A former management consultant, Mr. Conover has dealt extensively with commercial banks and other financial institutions and has concentrated on solving problems in the areas of strategic planning, financial management and operations improvement.

He received a B.A. degree from Yale University in 1960 and an M.B.A. in finance from the University of California at Berkeley in 1965.

The *Quarterly Journal* is the journal of record for the most significant actions and policies of the Office of the Comptroller of the Currency. It is published four times a year in March, June, September and December. The *Quarterly Journal* includes policy statements, decisions on banking structure, selected speeches and testimony, material released in connection with enforcement actions, statistical data and other information of interest to the public. Requests for copies, suggestions, comments or questions may be sent to the Communications Division, Office of the Comptroller of the Currency, Washington, DC 20219. Subscriptions are available for \$50 a year by writing to the Comptroller of the Currency, Office of the Comptroller of the Currency, Washington, DC 20219.

Quarterly Journal



Office of the Comptroller of the Currency

C. T. Conover

Comptroller of the Currency

The Administrator of National Banks

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Bank-Sponsored Community Development Corporations: A Private Sector Initiative

Introduction

Partnership of the public and the private sectors was the "watchword" of community development and urban revitalization programs in the late 1970s. As we move into the 80s, the importance of that partnership can only increase. Public sentiment favoring private sector solutions for America's economic ills has led to cuts in federal programs and has increased demand for private initiative.

With the federal government playing a smaller role in community development, private corporations and foundations are being relied on to invest in housing, small business, industry and other projects that stimulate the local economy.

One way that the private sector can invest in public projects results from the Comptroller of the Currency's Interpretive Ruling 7.7480. That ruling permits national banks to create or invest in community development corporations (CDCs). Such corporations give national banks the opportunity to participate in activities that are normally forbidden to them and allow them to take active roles in regenerating economic activity and stimulating business expansion in their service areas.

Community Development Corporations (CDCs)

CDCs are local associations of residents and businesses organized to attack problems of unemployment and disinvestment by developing underutilized resources—land, labor, capital and entrepreneurial talent.

CDCs can acquire, rehabilitate, construct, manage, sell and promote real property in their target communities. CDCs also can make equity investments in development projects and local businesses and they can participate in a variety of joint ventures with outside partners.

At the same time, CDCs can ensure that a wide array of development services is available to neighborhood groups, developers and business people including:

- Loans and grants;
- Technical assistance in finance;
- Counseling in home mortgage lending and small business management; and
- Development-related research, especially market studies and feasibility analyses for development projects.

Because of their resources and knowledge of local markets, banks are uniquely qualified to participate in community development corporations. Also, they have the ability to attract other developers, investors and home buyers. By creating or investing in a CDC, a bank shows confidence in an area's potential, thereby attracting other key participants in the redevelopment process.

That ability to attract other participants is important because the economic ills that CDCs are meant to cure usually do not respond to treatment quickly or easily. Even under ideal circumstances, other participants must be involved to achieve major revitalization. Often, CDCs take the lead simply to lay the groundwork for more extensive economic development.

Because CDCs are designed to help areas where developers have been hard to attract, there is some risk of early failure. What is clear, however, is that when banks back CDCs they are making long-term, serious commitments to their communities.

Start-up and Structure

Some bank-affiliated CDCs were formed as a result of citizen initiatives, but most banks use CDCs to deal with specific problems that otherwise might be ignored.

The ways that banks are involved in CDCs vary. Some have established CDCs as wholly-owned subsidiaries and have provided initial capitalization and extended lines of credit. In other cases, banks have shared ownership of a CDC with other financial institutions and/or development agencies. Still other banks have invested in existing CDCs formed by local residents. CDCs formed by residents are usually non-profit organizations, while others may be either for-profit or non-profit.

For-profit or not-for-profit?

There are advantages and disadvantages to both orientations. A for-profit CDC may be more attractive to a bank's board of directors. On the other hand, many foundations and federal/state agencies provide grant money only to non-profit organizations. Thus, a for-profit CDC may be cut off from valuable resources.

Non-profit CDCs do not have the option of returning income to parent institutions or stockholders. However, because earnings must be used for the CDC's non-profit goals, their reinvestment in new development projects leverages the CDC's initial capitalization.

For-profit CDCs may choose how to use any profits. However, national bank CDCs cannot distribute dividends during the first 3 years of operation and the OCC must approve any distribution thereafter.

Legal Authority*

§ 7.7480 Investments in community development projects.

Occasionally banks are asked to contribute to a community development corporation, wherein the

*The ruling was promulgated pursuant to 12 U.S.C. 1462(a)(1), which provides that a national bank may contribute its funds, or to charitable, philanthropic, and community development organizations, for the purpose of conducting business that is in the best interest of the bank and is in the public interest.

bank will receive an equity interest in, or evidence of debt which may have value in the future, but which is clearly not a bankable asset by ordinary standards. Such investment may be made and charged off as a contribution. If the bank wishes to carry the investment as an asset, the examiners will treat it as permissible under the paragraph Eighth of 12 U.S.C. 24. *Provided*, That the following conditions are met:

(a) The project must be of a predominantly civic, community or public nature and not merely private and entrepreneurial.

(b) The bank's investment in any one project does not exceed 2 percent of its capital and surplus and its aggregate investment in all such projects does not exceed 5 percent of its capital and surplus.

(c) Such investments are accounted for on the bank's books under "other assets."

Because CDCs are permitted to engage in activities normally prohibited to national banks, the OCC must ensure that bank-affiliated CDCs conform to certain guidelines.

1. CDC activities must be designed to substantially benefit small businesses or low- and moderate-income residents of the project area to ensure that the "predominantly civic, community or public nature" requirement is fulfilled.

Because OCC wants to minimize the displacement that can occur from revitalization projects, benefits should flow to existing businesses and residents as much as possible. While the benefits need not be direct, they should be clearly defined.

2. There must be ample community involvement in both the CDC process and its activities.

This guideline deserves particular attention. The entire concept of community development is based on the active involvement of local businesses and residents. The economic and social problems of a community cannot be solved without the help of the citizens who live and work there. Since a CDC grows out of a community's need, it is appropriate that the community be well-represented on the board of directors.

Community representation on the board benefits the bank as well. A board that includes lawyers, architects, academicians, and directors of neighborhood associations provides the bank with background on the local situation, who's who, etc. Board members from the community also act as a sounding board for community reaction to CDC proposals and they bring expertise, i.e., in law, architecture, urban planning, to the CDC's ventures. Finally, because they are part of the community the CDC serves, they can promote and advertise CDC programs.

3. Any income from the CDC should be reinvested in community development projects.

4. After the first 3 years of operation, the OCC is authorized that a for-profit CDC's original "predominantly

civic, community or public" intent has been achieved, some profits may be passed through to the bank.

4. Banks must consider entrepreneurial skills when selecting CDC personnel.

Management is probably the most critical element in any CDC, regardless of size or objective. Although there is a tendency to use existing bank personnel to fill CDC positions, it is important to remember that a successful CDC requires a variety of skills such as accounting, loan packaging and community organizing. It is also important to employ persons skilled in construction, rehabilitation marketing, data analysis and planning.

A CDC director must be a particularly adept entrepreneur. As a prime mover, executor and capacity builder, a director must be able to put deals together quickly and take on increasingly more difficult or complicated tasks.

Experience

Since 1978, the Office of the Comptroller of the Currency (OCC) has authorized 13 national banks in 10 states to establish *de novo* CDCs. Although it is too early to conclude success, here are some highlights of their accomplishments so far.

North Carolina National Bank (NCNB) Community Development Corporation

The NCNB's wholly-owned, non-profit subsidiary was the first bank-created CDC approved by the OCC. Formed in 1978, it is revitalizing inner-city residential neighborhoods in Charlotte and Greensboro.

Revitalization in Charlotte's Fourth Ward began with the purchase of 3.2 acres of urban renewal land and the construction of 50 townhouses. That relatively modest beginning snowballed and, eventually, over 520 housing units were sold in the area. The substantial investment that the CDC attracted has increased tax revenues to 15 times what they were when the CDC was established.

First Chicago Neighborhood Development Corporation

In 1979, the First National Bank of Chicago created a for-profit corporate subsidiary with the purpose of revitalizing residential, commercial and industrial neighborhoods throughout metropolitan Chicago.

The Corporation's Parkside Partnership is particularly striking. It is the largest private sector multi-family rehabilitation project in the country, consisting of 446 units in 20 buildings. The bank provided the CDC with initial capital of more than \$1 million and the CDC invested \$600,000 into the project in partnership with two other firms.

This commitment has attracted other investors to participate in area redevelopment projects. Another notable aspect of this CDC is the technical assistance the bank provided by negotiating with city and state officials on behalf of the CDC.

Mercantile Community Development Corporation

When the Mercantile Trust Company established a non-profit CDC to revitalize housing stock in 1980, it

focused on one of the country's most distressed neighborhoods—the Hyde Park section of St. Louis, Mo.

That CDC markets the neighborhood the way a business markets its products. A professional public relations firm was hired to increase confidence in the neighborhood's future, help market the area to prospective home buyers, and promote the CDC's programs.

Fayetteville Community Development Corporation

The First National Bank of Fayetteville, Fayetteville, Ark., established a wholly-owned, for-profit subsidiary in 1980 to invest in downtown, commercial development. That CDC has invested \$143,000 in a \$3.75 million shopping mall and office building complex. The CDC and 11 outside partners financed that project, which will provide 200 new jobs.

These are just a few examples of the structural flexibility and legal authority a CDC can offer a bank investor. That flexibility, in the form of ownership and participation, is necessary to deal with complex community development projects and projects that could not otherwise attract investors. CDCs are certain to apply their adaptability to new innovations such as enterprise zones and tax syndication financing.

Questions & Answers

1 What types of organizations qualify as CDCs?

A. Wholly-owned or multibank community development corporations incorporated by banks to carry out projects which are "predominantly civic, community, or public in nature and not merely private and entrepreneurial." These include CDCs set up by bank holding companies and approved by the Federal Reserve Board.

B. Corporations created under federal, state, or local law to meet community development needs as defined in their enabling legislation. Included in this category are:

- State, regional, city, neighborhood, central business district, or other specialized public or quasi-public development agencies, including industrial and business development authorities;
- CDCs authorized under Title VII of the Federal Economic Opportunity Act or similar state or local laws;
- Local development corporations (LDCs) licensed by the Small Business Administration, and
- Service corporations authorized by the Federal Home Loan Bank Board

C. Private for-profit and non-profit or limited dividend corporations created to undertake economic development in distressed neighborhoods and communities

2 May two or more banks participate in the same CDC?

Yes, several banks may be involved in owning and establishing a CDC. The Buckeye-Woodland CDC in Cleveland, Ohio, is an example. Federal Reserve-member state banks may invest in OCC-approved

CDCs, however, non-member state banks must have prior approval from their state bank regulators. Savings and loan associations may participate in OCC-approved CDCs if permitted by the Federal Home Loan Bank Board or their state S&L commissioners. Non-bank corporations also may invest in CDCs.

3. What activities are authorized for OCC-approved CDCs?

OCC-approved CDCs can:

- Acquire, develop, construct, rehabilitate, lease and manage real property and improvements thereon, either as sole owners or as joint venturers with other private or public agents;
- Make loans, grants and equity investments to further any community development projects, including equity interests in local business;
- Provide technical assistance and counseling services to any persons, organizations or businesses to further a CDC's goals;
- Conduct, or have conducted by an outside contractor, research relevant to CDC activities, i.e., market analyses, feasibility studies, etc.;
- Serve as a clearinghouse for information about community development needs, data, projects, etc.;
- Serve as liaison between the community and the parent bank; and
- Participate in any other activities relevant to the development process.

4 Are CDC investments and borrowings subject to the bank's normal borrowing and lending limits?

Wholly-owned CDCs, as non-statutory subsidiaries, are subject to the same borrowing and lending limits as the bank.

5. Are all loans made by the bank to CDC projects included in the 2 percent or 5 percent capital and surplus limitations?

A bank's loan to a CDC or a CDC-sponsored project is subject to the limitations in 12 CFR 7.7480.

6. Are there any capitalization and management capability requirements for the CDC?

The CDC should be adequately capitalized and provided with management able to fulfill its goals and objectives. The OCC will determine each CDC's requirements on a case-by-case basis, taking into account each bank's previous commitment to community development and its continued commitment to the target area or industry.

7. Are there any minimum requirements for community representation on a CDC board of directors?

The exact representation on the board of directors will be determined on a case-by-case basis, taking into account the bank's previous involvement with community groups, business organizations and local officials. An important goal of a CDC should be to actively involve its community, particularly parties directly affected by its proposed activities.

Except for one recently approved CDC (First Wisconsin), CDCs have had majority community representation on their boards of directors. Several CDCs also have established neighborhood advisory committees, usually chaired by a CDC board member.

8 Should CDC investments be targeted to a particular neighborhood or area?

Yes. CDC investments should be targeted to a particular geographic area or economic sector within a local community to ensure maximum impact and best leverage of other public and/or private resources

9 Are there any reporting requirements for a CDC?

Yes, there are two reporting requirements. First, Within 6 months of approval, a CDC must submit a detailed plan for its first year of operation and a reasonably-detailed second year plan. Second, each CDC must submit an annual report to the OCC.

Contacts

A national bank interested in participating in a CDC may discuss its proposed investment with a Community and Consumer Affairs Division staff member by calling (202) 287-4169. To apply, the bank should prepare a concept paper and submit it to the Division. That paper should address the following questions:

- Why does the bank feel that a CDC is necessary?
- What are the major objectives of the CDC and

how are they consistent with Interpretive Ruling 7.7480?

The bank should also provide:

- A brief community profile of the target area or industry;
- A brief description of other activities and/or plans to develop the area or industry;
- A brief outline of the proposed project, if known.

After the concept paper has been reviewed, a Community and Consumer Affairs Division staff member will discuss it with the bank. If necessary, that person will meet with the bank and community representatives and provide suggestions to facilitate the approval process and to improve the effectiveness of the CDC's activities.

Finally, the bank should submit a formal CDC proposal to the Division for review and consideration. That proposal should include information similar to that contained in the concept paper. The processing time for a CDC application should not exceed 45 to 60 days.

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Consumer and Community Affairs Division

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Communications Division

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First National Bank of Waseca
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8. Don Frank, President
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(815) 937-3690
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Society National Bank
BancOhio National Bank
Union Commerce Bank
10. Wilbur C. Edwards
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The BaTT Task Force

In 1980, the Office of the Comptroller of the Currency formed the Bank Technology and Telecommunications (BaTT) Task Force to identify and analyze technological developments affecting bank operations and services. By that time, it had become clear that technological innovations in the financial services industry were changing the business of banking dramatically and rapidly. Automated teller machines, often connected to or planned for regional and national ATM networks, were replacing the traditional bank branch. Advanced computers and telecommunications systems were increasing the speed and ease of wire transfers, enabling banks to offer sophisticated corporate cash management services and enhanced correspondent banking services. Internal bank management was changing as supercomputers multiplied the data processing capabilities of banks and minicomputers were being designed for asset liability management, profit planning and budgeting, various accounting functions and numerous other banking applications.

However, as new technologies enhanced opportunities for banks in terms of services and improved efficiency, sophisticated computers and complex telecommunications networks also were introducing new risks and straining some existing banking laws and regulations.

These considerations prompted the OCC to create the BaTT Task Force to gather information needed to determine our approach to new bank technologies. BaTT's initial efforts were conducted by a small group of representatives from our examinations, legal and policy divisions. Its goal was an environmental scan of developing technologies which would continue to affect banks and the financial services delivery system and its purpose was to provide enough information to assess developments which would affect our supervisory responsibilities.

Phase I

Under the supervision of Billy Wood, then the Deputy Comptroller for Multinational Banking (now Regional Administrator in San Francisco), and William Longbrake, former Deputy Comptroller for Research and Economic Programs, BaTT took an educational approach. A visiting speaker program resulted in presentations to the Task Force by 20 experts in the field of bank technology. Task Force members reviewed literature on bank technology developments, participated in related conferences, and met with numerous bankers and nonbank service providers. This information was used to prepare background papers for the OCC's Strategic Plan, in two staff papers on the legal implications of shared electronic funds transfer networks, and for a report on the Phase I findings and recommendations.

In October 1981, the Task Force presented the following findings and recommendations to the Policy Group:

- The pace of technological innovation in banking is likely to accelerate substantially in the near future.

To ensure that OCC stays abreast of developments, the Task Force recommended establishing a formal system to track technological developments, identify and analyze risks and issues as they surfaced, and make recommendations regarding OCC's policies and exam procedures.

- Both OCC's technological expertise and use of technology should be upgraded and expanded. The Task Force recommended that training needs be evaluated, a formal training course in bank technology be established, and that the agency investigate how technology could be used to accomplish supervisory responsibilities more efficiently.
- There are a number of technology associated risks and regulatory issues that require immediate further analysis, and possible action. The most important relate to the security and integrity of data transmission and funds transfer, adequacy of bank contingency planning efforts that allow for continued operations in the event of interrupted service, and legal liability in EFT transactions.

Phase II

Based on these early findings, OCC's Policy Group endorsed a restructured BaTT task force in early 1982 as an agency-wide project. BaTT's major purpose is to continue to gather and assess information which will help us understand how evolving technologies will affect banking and address issues that require OCC action.

A decision-making steering committee is chaired by Karen Wilson, the Chief National Bank Examiner. Other committee members include the Deputy Comptrollers for Multinational Banking and Special Surveillance, and the division Directors for Legal Advisory Services, Community and Consumer Affairs, Operations Analysis, and Economic and Policy Analysis. Each of the committee members have committed staff resources to carry out various BaTT assignments.

The monitoring system designed to accomplish BaTT's objectives involves contact with leading technological innovators, review of related publications, data collection by field examiners, and a limited amount of contractual research. The Task Force is also monitoring voluntary industry efforts to set standards.

Staff from divisions on the task force will monitor developments in data transmission and storage, funds transfer and computer operations, and the legal, regulatory, consumer, and related international issues. As information is gathered, it is distributed throughout the agency and organized by topics into both a central data base and a data base within the responsible divisions.

When BaTT staff identify issues which require further OCC attention, working groups are formed to analyze the issue and to develop recommendations for review by the steering committee. A number of groups have begun to address some of the issues identified during Phase I. The steering committee approves a program

ing proposals determines which issues should be analyzed, reviews and approves project work plans and decides on BaTT recommendations for the Policy Group. Through this approach we hope to address concerns as they arise, providing guidance rather than issuing new regulations.

During the second phase, the Task Force is paying particular attention to the following areas identified during Phase I as requiring further study:

- The security and integrity of wire transfers, corporate cash management services and retail EFT services, e.g., the status and adoption of message authentication and data encryption standards
- The extent of legal liability for errors, omissions and fraud in wire transfer, corporate cash management services and retail EFT services
- The adequacy of contingency planning efforts for bank data bases and operations.
- The adequacy of bank planning and management information systems in introducing new technologies for customer services and operations.

- The obsolescence of particular laws and/or regulations as a result of new technologies.

In addition, we anticipate that BaTT's monitoring efforts will result in issue papers, working papers, and occasional articles in the *Quarterly Journal* and other publications. The BaTT Task Force welcomes suggestions from industry representatives on issues, topics, or developments in this area which should be given attention.

For further information, contact Bill McPherson, Office of the Chief National Bank Examiner, (202) 447-0468, or Jim Embersit, Economic and Policy Analysis Division, (202) 447-1930, coordinators for BaTT's monitoring and work projects.

Rosanne Brady
Community Development Specialist
Consumer and Community Affairs

Operations of National Banks

Although the decline in the economy during the past year appears arrested, economic growth was modest during the second quarter of 1982. Gross national product grew at an annual rate of slightly more than 2 percent after declining at an annual rate of more than 5 percent during the last quarter of 1981 and the first quarter of 1982. Inflation cooled (the consumer price index was 6.8 percent higher than in June 1981); the slow growth in the money supply continued and interest rates remained stable but high. Unemployment continued its steady upward trend, averaging 9.5 percent in the second quarter. National bank assets grew moderately during the second quarter of 1982. For the second consecutive quarter, the proportion of past due loans at domestic offices remained unchanged from the prior quarter. Net income declined from the levels reported for national banks in the first half of 1981.

National banks' foreign and domestic assets totaled \$1,225 billion by the end of June 1982, up \$94 billion or 8.3 percent from June 1981. Only \$24 billion of that growth occurred in the first half of 1982; commercial bank assets generally increase more rapidly during the second half of the year. The first table in this section presents a detailed balance sheet comparison of the national banking system for June 1981 and June 1982, both on a consolidated foreign and domestic basis and for domestic offices only.

As they did throughout 1981, domestic office assets continued to grow more rapidly than foreign office assets. Domestic office assets, including a net amount of \$21 billion due from foreign branches and subsidiaries, increased 10.1 percent since June 1981. Foreign office asset growth, which had outpaced growth of domestic office assets during the 1970's, slowed to 7.6 percent during 1981, substantially below domestic office asset growth of 10.2 percent. During the year ending June 1982, foreign office assets grew only 1.2 percent from the previous June. By midyear 1982, the \$238 billion of foreign office assets accounted for 19.4 percent of consolidated national bank assets, down from 20.7 percent in June 1981. A complete balance sheet for the 129 national banks operating foreign offices is presented in the Statistical Tables section.

National bank asset growth continued to be driven by strong loan growth despite relatively high interest rates. Net loans increased 11.8 percent to \$687 billion accounting for 77 percent of asset growth. Commercial and industrial loans at domestic offices, which accounted for over 38 percent of national bank domestic loans outstanding, increased 21.5 percent over June 1981 levels to \$218 billion. However, holdings of mortgage loans on one- to four-family homes increased only 5.5 percent, reflecting the continuing depressed state of the housing market. Domestic office loan portfolio composition of national banks on a state-by-state basis is provided in the Statistical Tables section.

In contrast to the growth in loan demand, cash and due from depository institutions (more than half of which

is interest bearing) continued its decline, falling 3.8 percent from June 1981 levels.

National banks' holdings of investment securities relative to their total asset portfolios continued to fall while the composition shifted to a shorter average maturity. Total securities grew only 3.0 percent to \$180 billion and in June 1982 accounted for 14.7 percent of total assets. Government issues due in 1 year or less accounted for 24.2 percent of all securities held in domestic offices of national banks this June, up from 22.4 percent for June 1981.

Non-interest earning assets increased 19.6 percent more than twice as fast as total consolidated assets to \$97 billion. The fastest growing component, real estate owned other than bank premises, grew 43.1 percent since June 1981.

The continuing shift in liability structure of national banks reflects the persistence of relatively high interest rates and the continued attractiveness of interest bearing deposit instruments. Deposits at domestic offices posted an 8.4 percent increase to \$721 billion by June 1982. However, time and savings deposits rose \$77 billion, a 17.2 percent gain, to \$526 billion while demand deposits declined 9.8 percent to \$194 billion. That decline included transfers to NOW and ATS accounts which increased 27.0 percent or \$8 billion over June 1981 levels. NOW and ATS accounts in June 1982 were relatively unchanged from March levels. Other savings accounts declined almost \$4 billion to \$85 billion from June 1981. As a result, core deposits, traditional low cost sources of funds, continued to slowly erode at national banks and equaled 25.9 percent of total assets by June 1982.

Growth in time deposits and other purchased funds counterbalanced the decline in core deposits at national banks. Time deposits grew 22.1 percent during the year ending June 1982 to \$404 billion at domestic offices. Deposits of \$100,000 or more which are not subject to interest rate ceilings and are not fully insured comprise \$201 billion or 49.9 percent of time deposits, an increase of \$47 billion or 30.8 percent since June 1981. Money market certificates of deposit (MMCD's), the next largest component, grew 11.7 percent to \$123 billion. However, time deposits other than MMCD's and those larger than \$100,000 grew more rapidly, increasing 56.4 percent to \$79 billion by June 1982. This category includes both Small Savers certificates and All Savers certificates. By June 1982, All Savers certificates had reached \$12 billion since their introduction in 1981. Detail on domestic office deposit composition is available in the Statistical Tables section.

Other sources of market rate funding (time deposits, federal funds transactions, commercial paper issued to the U.S. Treasury, and other debt securities borrowed money) grew more slowly than a year earlier, \$50.1 billion, a 6.1 percent increase. Purchased funds also include large time deposits, commercial paper, and federal funds and repurchase agreements.

Assets, liabilities and capital accounts of national banks, June 30, 1981 and June 30, 1982
(Dollar amounts in millions)

	June 30, 1981 4 453 banks		June 30, 1982 4 507 banks*		Change June 30, 1981 June 30, 1982 Fully consolidated	
	Consolidated foreign and domestic	Domestic offices	Consolidated foreign and domestic	Domestic offices	Amount	Percent
Assets						
Federal funds from depository institutions	\$ 210,315	\$115,712	\$ 202,225	\$111,750	\$ -8,090	3.8
U.S. Treasury securities	50,564	50,435	48,756	48,585	1,808	3.4
Securities of other U.S. government agencies and corporations	30,354	30,298	34,383	34,356	4,029	13.3
Securities of states and political subdivisions	78,295	77,623	80,736	80,107	2,441	3.1
All other securities	15,915	10,695	16,539	11,281	624	3.9
Total securities	175,128	169,051	180,414	174,329	5,286	3.0
Federal funds sold and securities purchased under agreements to resell	40,915	40,386	48,601	48,025	7,686	18.8
Total loans (excluding unearned income)	620,513	487,117	694,243	556,426	73,730	11.9
Allowance for possible loan losses	6,418	6,242	7,554	7,339	1,136	17.7
Net loans	614,095	480,876	686,689	549,087	72,594	11.8
Lease financing receivables	9,884	8,230	10,692	8,889	808	8.2
Bank premises, furniture and fixtures and other assets representing bank premises	16,474	15,355	18,795	17,532	2,321	14.1
Real estate owned other than bank premises	1,309	1,197	1,873	1,781	564	43.1
All other assets	63,012	65,834	75,963	75,549	12,951	20.6
Total assets	1,131,133	896,641	1,225,253	986,943	94,120	8.3
Liabilities						
Demand deposits of individuals, partnerships and corporations	162,849	162,849	153,075	153,075	-9,774	-6.0
Time and savings deposits of individuals, partnerships and corporations	406,515	406,515	472,105	472,105	65,590	16.1
Deposits of U.S. government	2,328	2,328	3,186	3,186	858	36.9
Deposits of states and political subdivisions	40,124	40,124	43,537	43,537	3,413	8.5
All other deposits	44,829	44,829	41,869	41,869	-2,960	-6.6
Certified and officers' checks	7,865	7,865	6,881	6,881	-984	-12.5
Total deposits in domestic offices	664,510	664,510	720,653	720,653	56,143	8.4
Demand deposits	215,456	215,456	194,355	194,355	-21,101	-9.8
Time and savings deposits	449,054	449,054	526,299	526,299	77,245	17.2
Total deposits in foreign offices	213,225	0	219,225	0	6,000	2.8
Total deposits	877,735	664,510	939,878	720,653	61,143	7.1
Federal funds purchased and securities sold under agreements to repurchase	95,185	95,030	112,199	111,913	17,014	17.9
Interest-bearing demand notes issued to U.S. Treasury	9,082	9,082	4,380	4,380	-4,702	-51.8
Other liabilities for borrowed money	18,921	8,950	21,194	10,252	2,273	12.0
Mortgage indebtedness and liability for capitalized leases	1,464	1,447	1,646	1,629	182	12.4
All other liabilities	62,162	51,288	73,827	66,228	11,665	18.8
Total liabilities	1,064,550	830,307	1,153,125	915,056	88,575	8.3
Subordinated notes and debentures	3,584	3,335	3,510	3,267	-74	-2.1
Equity Capital						
Preferred stock	39	39	102	102	63	161.5
Common stock	12,261	12,261	13,206	13,206	945	7.7
Surplus	19,522	19,522	20,620	20,620	1,098	5.6
Undivided profits and reserve for contingencies and other capital reserves	31,176	31,176	34,691	34,691	3,515	11.3
Total equity capital	62,999	62,999	68,619	68,619	5,620	8.9
Total liabilities, subordinated notes and debentures and equity capital	1,131,133	896,641	1,225,253	986,943	94,120	8.3

* Excludes one noninsured national trust bank with assets of \$1 million and one national bank which did not report June 30, 1982.

ings, amounted to 45.6 percent of total assets. Including MMCD's in that proportion raises it to 55.6 percent. Federal funds transactions was the second fastest rising component of purchased funds, growing 17.9 percent to \$112 billion by June 1982.

Despite the pressure of relying on market-rate funding sources, national banks continue to operate profitably and improve their equity capital positions, primarily through retained earnings. Total equity capital increased almost \$6 billion to \$69 billion. That increase of almost 9 percent exceeded the growth in total assets and slightly improved the national banking system's equity to asset ratio to 5.60 percent. Additionally, national banks increased their allowance for possible loan losses by 17.7 percent since June 1981 to over \$7 billion or about 1 percent of their total loans.

Interest and fees on loans, the largest component of operating income, was 9.0 percent higher than during the corresponding period in 1981, reaching \$51.7 billion by June 1982. Large national banks are continuing to carry more than 62 percent of their nonresidential loans on an adjustable-rate basis and almost 63 percent of their \$162 billion of fixed rate, nonresidential loans have maturities of 1 year or less.

The fastest rising component of operating income, service charges on deposit accounts, rose 20.3 percent to over \$1 billion in the first half of 1982. Other service charges, commissions and fees rose 19.9 percent from the corresponding period last year to \$2 billion. Income from U.S. government obligations also rose a brisk 17.4 percent to almost \$5 billion in the first half of 1982. Noninterest income grew 11.5 percent to almost \$6 billion. Interest income, the largest component of earnings, grew only 9.7 percent during the first half of 1982. Total operating income grew \$7 billion or 9.9 percent to almost \$78 billion during the first half of 1982.

Operating expenses rose somewhat faster than income as high interest rates pushed total interest expense up 8.2 percent to \$53 billion, an increase of \$4 billion over the corresponding period in 1981. Interest on deposits rose 10.0 percent to \$43 billion, pushed by a 26.1 percent increase in its largest component, interest paid on other deposits. Interest on deposits in foreign offices actually declined 2.6 percent while interest on time certificates of \$100,000 or more rose 9.1 percent to almost \$12 billion.

Total provisions for loan losses, the fastest growing component of operating expenses, were increased 54.1 percent to \$2 billion over provisions made during the first half of 1981, increasing twice as fast as net loan

losses and exceeding actual net loan losses by one half. Net loan losses for the first half of 1982 grew 23.1 percent over losses reported for the first half of 1981 to \$1.3 billion. While the economy remains weak, loan losses which accompany and lag economic recovery are likely to remain at their current levels. Despite the lack of improvement in the economy, the proportion of domestic office loans reported past due remained stable at 4.9 percent of total domestic office loans during the second quarter of 1982. Because large national banks typically have higher proportions of past due loans than smaller national banks, the average bank's past due ratio is smaller than for the system as a whole. The average national bank reported overdue loans of 4.3 percent of total domestic office loans, up from 3.7 percent reported in June 1981. The June 1982 total of nearly \$28 billion of past due loans was up markedly from \$21 billion a year earlier. The Statistical Tables section presents more detail on average national banks' past due loans.

Other noninterest expenses grew to \$17 billion, or 18.4 percent, a substantial increase over levels reported in June 1981. As a result, operating expenses totaled almost \$73 billion, increasing \$7 billion or 11.5 percent over the corresponding period in 1981.

Income before income taxes and securities gains and losses fell 8.8 percent to \$5.1 billion. After income taxes of \$.9 billion, down a third from taxes assessed in June 1981, income before securities gains and losses was reduced to \$4.2 billion, down only marginally from June 1981. Net securities losses of \$252 million, up 55.4 percent from June 1981, severely reduced income which, after a small \$5.8 million infusion of extraordinary items, left national banks with net income of \$3.9 billion, a 3.2 percent decline from net income reported for the first half of 1981.

National banks paid out 42.5 percent of that income in dividends, up from 37.2 percent paid out in June 1981. This increase in dividend payout is primarily due to the absolute decrease in net income; dividends increased 10.5 percent from those paid in the first half of 1981.

National banks continue to maintain their strategy of repricing earning assets and reducing maturities to offset the erosion of core deposits and the resulting increased reliance on purchased funds. However, they now face the additional prospect of sustained levels of loan losses further pressuring earnings while the economy slowly recovers.

Income and expenses of national banks, June 30, 1981 and June 30, 1982
(Dollar amounts in millions)

	June 30, 1981 4 453 banks		June 30, 1982 4 507 banks*		Change June 1981-June 1982	
	Amount	Percent distribution	Amount	Percent distribution	Amount	Percent
Operating income						
Interest and fees on loans	\$47,422.1	67.0	\$51,710.9	66.5	\$4,288.8	9.0
Interest on balances with depository institutions	7 080.2	10.0	7,715.2	9.9	635.0	9.0
Income on federal funds sold and securities purchased under agreements to resell	3 420.9	4.8	3 709.9	4.8	289.0	8.4
Interest on U.S. Treasury securities and on obligations of other U.S. government agencies and corporations	4 116.1	5.8	4 831.5	6.2	715.4	17.4
Interest on obligations of states and political subdivisions in the United States	2 513.6	3.5	2,844.9	3.7	331.3	13.2
Income from all other securities (including dividends on stock)	453.8	.6	475.6	.6	21.8	4.8
Income from lease financing	553.9	.8	644.9	.8	91.0	16.4
Income from fiduciary activities	887.0	1.3	1 006.7	1.3	119.7	13.5
Service charges on deposit accounts	974.5	1.4	1,172.4	1.5	197.9	20.3
Other service charges, commissions and fees	1,711.9	2.4	2,052.7	2.6	340.8	19.9
Other operating income	1,684.4	2.4	1,629.8	2.1	-54.6	-3.2
<i>Total operating income</i>	<i>70 818.3</i>	<i>100.0</i>	<i>77,794.6</i>	<i>100.0</i>	<i>6,976.3</i>	<i>9.9</i>
Operating expenses						
Salaries and employee benefits	7,796.3	12.0	8,867.2	12.2	1,070.9	13.7
Interest on time certificates of \$100,000 or more (issued by domestic offices)	10,939.2	16.8	11,935.3	16.4	996.1	9.1
Interest on deposits in foreign offices	15,395.8	23.6	14,995.6	20.6	-400.2	-2.6
Interest on other deposits	12,778.0	19.6	16,108.8	22.2	3,330.8	26.1
Expense of federal funds purchased and securities sold under agreements to repurchase	8,069.2	12.4	7,906.8	10.9	-162.4	-2.0
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	1,826.9	2.8	2,092.8	2.9	265.9	14.6
Interest on subordinated notes and debentures	155.1	.2	174.5	.2	19.4	12.5
Occupancy expense of bank premises, net and furniture and equipment expense	2,333.8	3.6	2,794.7	3.8	460.9	19.7
Provision for possible loan losses	1,329.3	2.0	2,048.7	2.8	719.4	54.1
Other operating expenses	4,548.1	7.0	5,720.9	7.9	1,172.8	25.8
<i>Total operating expenses</i>	<i>65,171.7</i>	<i>100.0</i>	<i>72,645.4</i>	<i>100.0</i>	<i>7,473.7</i>	<i>11.5</i>
Income before income taxes and securities gains or losses	5,646.5		5,149.2		-497.3	-8.8
Applicable income taxes	1,389.5		922.7		-466.8	-33.6
Income before securities gains or losses	4,257.0		4 226.5		-30.5	-.7
Securities gains (losses), gross	-302.9		-429.8		-126.9	41.9
Applicable income taxes	-140.6		-177.7		-37.1	26.4
Securities gains (losses), net	-162.2		-252.0		-89.8	55.4
Income before extraordinary items	4,094.7		3,974.6		-120.1	-2.9
Extraordinary items, net	16.1		5.8		-10.3	-64.0
Net income	4,110.8		3,980.3		-130.5	-3.2
Cash dividends declared on common stock	1,527.3		1,686.4		159.1	10.4
Cash dividends declared on preferred stock	2.4		4.1		1.7	70.8
Total cash dividends declared	1,529.7		1,690.5		160.8	10.5
Recoveries credited to allowance for possible loan losses	461.8		487.6		25.8	5.6
Losses charged to allowance for possible loan losses	1,532.1		1,804.9		272.8	17.8
Net loan losses	1,070.3		1,317.3		247.0	23.1
Ratio to total operating income		Percent		Percent		
Interest on deposits		55.2		55.3		
Other interest expense		14.2		13.1		
Salaries and employee benefits		11.0		11.4		
Other noninterest expense		11.6		13.6		
Total operating expenses		92.0		93.4		
Ratio of net income to						
Total assets (end of period)		73		65		
Total equity capital (end of period)		6.53		5.80		

* Excludes one insured national trust bank with assets of \$1 million and one national bank which did not report June 30, 1982.

Speeches and Congressional Testimony

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Statement of Karen J. Wilson, Chief National Bank Examiner, before the Subcommittee on General Oversight and Renegotiation of the House Committee on Banking, Finance and Urban Affairs, Washington, D.C., July 13, 1982

I am pleased to appear before this Subcommittee to discuss the experiences and views of the Office of the Comptroller of the Currency regarding our recent compliance efforts concerning the Bank Secrecy Act (Act).

As you know, the Office of the Comptroller of the Currency (OCC) is charged by the Congress with general supervisory responsibility over the activities of national banks. There are currently approximately 4,400 national banks with approximately 19,800 branch offices. The statutory mandate of the Comptroller is to assure that national banks operate both in conformance with safe and sound banking practices and in compliance with banking law and regulation, including the Bank Secrecy Act.

As you are aware, the Bank Secrecy Act and regulations promulgated thereunder are designed to assist law enforcement officials in detection and prosecution of criminal conduct by documenting certain fund flows which could involve such activities. The Act and regulations require, among other things, that banks obtain and preserve financial information and file certain reports regarding large cash transactions. The legislative history of the Act emphasizes its purpose to facilitate the investigation of narcotics trafficking, tax evasion, and other "white collar" criminal activities.

The OCC shares the concern of the Subcommittee and law enforcement officials regarding the potential for criminal abuse of our nation's financial institutions in the handling of funds obtained through illegal activities. We welcome the continuing interest that this Subcommittee has taken with regard to the implementation and effectiveness of the Act.

Today, I would like to provide this Subcommittee with an update of our efforts to ensure compliance with the Act.

Examination Procedures and Compliance Monitoring

The Bank Secrecy Act requires financial institutions to file a Currency Transaction Report with the Internal Revenue Service whenever they handle a currency transaction in excess of \$10,000. Responsibility for monitoring the compliance of national banks with this and other requirements of the Act has been delegated to the OCC.

Our examiners do not, as a matter of course, review all of a bank's daily transactions. OCC relies less on a "hands on" examination approach and more on a system which checks a bank's internal control procedures. Therefore, we have provided guidance and instructions to the national banking industry through the issuance of various Banking Circulars, Bulletins, and letters, all of which are designed to foster bank compliance.

When we testified before this Subcommittee last summer, we had just instituted a two-module examination approach. This approach has now been incorporated into our standard examination procedures. Conse-

quently, all national banks are examined for compliance with the Bank Secrecy Act under the first module. This process entails a careful evaluation of the adequacy of internal compliance procedures. If appropriate operating and auditing standards are not in place, the more extensive verification procedures of module two are performed.

We are pleased to report that our experience during the past year with this two-module approach demonstrates that the examination procedures are effective. As a result of our efforts, 14 of the administrative enforcement proceedings initiated this year included Bank Secrecy Act violations. Additionally, 13 referrals have been forwarded to the Treasury Department for further investigation and possible civil or criminal actions.

As we have noted in the past, the attitude and self-policing efforts of the banks are crucial to compliance with the Bank Secrecy Act. It has been our experience that no amount of regulatory supervision works as well as a bank's internally monitored procedures.

OCC's Role in Interagency Actions

The OCC has continued its efforts to assist the Treasury Department and the Department of Justice in investigation of problem situations. Not only have we referred cases of violations to these departments, but we have also worked directly with the U.S. attorneys and other law enforcement personnel. We continue to participate in the Operation Greenback project. Operation Greenback, in conjunction with the implementation of our new examination procedures, has resulted in a notable reduction of violations in national banks in the Florida area.

Continuing Impediments to Usefulness of Bank Secrecy Act Information

Compliance with the requirements of the Act must be coupled with the use of Bank Secrecy Act information by law enforcement agencies to achieve the Act's intended purposes. As we have stated in the past, numerous barriers hinder the effective use of information developed pursuant to the Bank Secrecy Act. These barriers limit cooperation between federal supervisory and law enforcement agencies arising from the Privacy Act of 1976, the Right to Financial Privacy Act of 1978, state privacy acts, grand jury secrecy rules, as well as the procedures of various agencies.

These statutes are designed to protect Congressionally sanctioned values. However, inadvertently or purposely, they may restrain government information gathering ability and the free flow of information between and among agencies. In turn, important projects requiring interagency cooperation, such as Operation Greenback, are hampered.

OCC reiterates its belief that these statutory barriers to interagency cooperation should be examined and

consideration given to reducing impediments to law enforcement while protecting the important interests they were intended to preserve

Conclusion

OCC's recent experience in monitoring compliance

with the Bank Secrecy Act under our improved examination procedures has been positive. We believe these procedures have ensured, and will continue to ensure, compliance with the requirements of the Act. We support any measures which would facilitate enforcement and coordination among the law enforcement agencies.

Statement of Clifton A. Poole, Jr., Regional Administrator of National Banks, Eleventh National Bank Region, before the House Committee on Banking, Finance and Urban Affairs, Oklahoma City, Okla., August 16, 1982

I welcome this opportunity to describe the supervisory activities of the Dallas Region of the Office of the Comptroller of the Currency involving Penn Square Bank of Oklahoma City. My comments will primarily relate to events occurring between early 1980 and July 5, 1982, the date on which the Comptroller declared that bank insolvent.

First, let me provide a very brief synopsis of my background with the Comptroller's Office. I joined the Office in 1956 and served as an assistant examiner and later as an examiner in the field until 1975. That year I was appointed Regional Administrator of National Banks for the Fifth Region in Richmond, Virginia. In 1978, I was appointed Regional Administrator for Region Eight in Memphis, Tennessee. Since 1979, I have served as Regional Administrator in Region Eleven in Dallas, Texas. The Dallas Region encompasses Texas and Oklahoma and supervises some 900 national banks in those states.

Here with me today are Jimmy F. Barton, the Regional Director for Special Surveillance in our Dallas Regional Office, and Stephen D. Plunk, the Examiner-in-Charge of our Oklahoma City subregion. Mr. Barton has been with the Comptroller's Office since 1970. He was commissioned as a national bank examiner in 1974. He has served in both the Washington Office and in our overseas London Office as well as with the Dallas Region. In 1981, he assumed his current position in Dallas. As such, his duties encompass our regulatory activities regarding Penn Square Bank.

Mr. Plunk has been with the Comptroller's Office since 1972. He has served in Arkansas, Tennessee and Texas. He was commissioned as a national bank examiner in 1977. In December of last year, he was reassigned to Oklahoma City as the Examiner-in-Charge of the sub-regional office.

The Penn Square Bank came to the particular attention of our Office as a result of deficiencies disclosed by our examination of the bank that was completed in April of 1980. Based upon our findings from that examination, we determined that Penn Square should be rated as a "three" bank and included in our Special Projects Program. Specifically identified problems centered in bank lending practices, liquidity and capital adequacy. I feel it is important to point out that our decision to include the bank in our Special Projects Program was based upon both the aforementioned qualitative data and quantitative considerations, including the bank's

lack of staff and management depth, inadequacy of internal controls, poor funds management and the bank's recent rapid growth. In light of these concerns, we deemed it appropriate to treat the bank as one requiring special supervision.

To deal with these problems, we determined to draw up and present the bank's board with a formal agreement (under our statutory cease and desist authority) containing articles addressing deficiencies identified in the bank's condition. It is our practice in the Dallas Region to convene a board meeting in the regional office when we place a bank in the Special Projects Program. We have found this procedure to be extremely effective. The trip to the regional office serves to emphasize to each director his responsibility to supervise the affairs of the bank and to assure the correction of its deficiencies.

On August 27, 1980, a formal agreement was presented to the Board at the regional office in Dallas. At that meeting Board Chairman Jennings openly resisted our efforts. He forcefully disagreed with our opinions regarding the condition of the bank. He was particularly concerned over our efforts to assure adequate bank policies and controls affecting funds management activities. He asserted that the bank's profitability was the result of his efforts and policies in that area. Mr. Jennings expressed concern that our efforts might displace management's discretion, especially in the area of funds management. Notwithstanding Mr. Jennings' comments, the Board subsequently signed and consented to the formal agreement.

During the Board meeting at the regional office, the Board claimed that significant improvement in the condition of the bank had occurred since our examination conducted in March and April. They asserted that the bank was already doing much of what was called for in the formal agreement.

To verify this and to monitor the ongoing condition of the bank, we began a supervisory examination of the bank on September 9, 1980. That examination disclosed improvements in lending functions and the injection of new capital. At the same time, however, it indicated the need for additional capital and criticized the continued understaffing of the bank's oil and gas department, as well as the continued low level of bank liquidity.

In order to address these concerns, we undertook the most comprehensive general examination ever con-

ducted of the bank using the most experienced people available in the region. The exam, conducted as of December 31, 1980, was completed on February 27, 1981. That examination disclosed significant deterioration in the bank's condition. Classified asset totals had substantially increased. Funds management practices were inadequate, leaving the bank vulnerable to interest rate shifts. Rapid growth of the bank was continuing although it remained understaffed. Moreover, capital growth was not keeping pace with the overall asset growth of the bank. Additionally, the bank had failed in large part to comply with the agreement.

After reviewing the report, the Regional and Washington offices were faced with the need to determine what steps should be taken to correct the deteriorating situation. We had two obvious supervisory options: (1) to stay with the existing agreement, or (2) to issue a cease and desist order. On the one hand, the classified assets totals and other quantifiable measures of the quality of the bank's lending were still not at a level which would by themselves normally find us using a formal agreement, let alone a formal cease and desist order. Also, although we perceived the bank's funds management activities to be potentially very risky, those activities were extremely profitable to the bank. On the other hand, the bank's refusal to comply with the existing agreement and the Board's apparent disregard of its responsibility to correct deficiencies argued for a cease and desist order.

After balancing the various considerations, and in consultation with Washington, we decided to once again meet with the Board in the Regional Office. A primary purpose of the meeting was to measure the resistance of the Board to our supervisory recommendations. We determined that if we were not satisfied the Board would undertake corrective action, we would inform them at the meeting that a cease and desist order would be issued. However, we felt that the formal agreement in place was fully adequate in coverage and in detail to address the bank's problems if properly implemented.

At the board meeting, which was conducted in the Regional Office on July 29, 1981, the bank's condition was discussed in detail. I expressed concern with the board's recalcitrance and indicated our intentions to use a cease and desist order if necessary. Throughout the meeting, Mr. Jennings remained completely silent, in sharp contrast to his outspoken performance at our earlier meeting.

The conciliatory atmosphere of that meeting and several apparently significant steps undertaken by the bank to correct perceived problems reassured us that the Bank's Board was committed to a positive program. Most significantly, the new President and Chief Administrative Officer, Eldon Beller, acted as primary spokesman for the bank. He was accompanied by several other new senior officials of the bank. These men were known to our examiners from their previous positions with a large, strong and conservative Oklahoma City financial institution. We thought them capable and representative of the new additions to the bank's staff and depth of expertise.

Following that meeting, almost every director of the

bank came to me individually and expressed his commitment to correct the bank's deficiencies and to assure me that the institution would be run in a prudent manner. Finally, Mr. Jennings specifically acknowledged the accuracy of our examination findings. He thanked us for our efforts and pledged himself and the Board to adopt corrective measures without delay.

We left the board meeting with the feeling that the proper message had in fact been delivered and heard, and that the proper administrative action had been taken. That is, the agreement was appropriate to the severity of the bank's condition and, if properly implemented, sufficient in scope to address the bank's problems. We were confident that follow-up visitations would substantiate the accuracy of our opinions. I should also point out that we knew that we could use a cease and desist order if we subsequently found that the expected reforms were not implemented.

During October of 1981 we conducted a visitation at the bank. The examination was conducted by an examiner who had been our regional director for special surveillance in the Regional Office during our earlier dealings with the Penn Square Bank. He had attended both board meetings held in the Regional Office and was responsible for the supervision of our problem banks. He was both highly qualified to conduct the examination and familiar with the earlier identified problems of the bank.

His examination reported significant improvements in the bank's condition. Moreover, he related that major steps had been undertaken by the Board to comply with the agreement. The percentage of classified assets to bank capital had declined, primarily because of a recent increase in the bank's capital. The bank's staff appeared to have been strengthened, and the Board seemed to have become significantly more active in overseeing both corrective action and the bank's activities in general. Based on the findings of that visitation, we were confident that the bank was moving in the right direction. We thought the outlook for the institution to be favorable and all substantive areas of concern were being systematically addressed and corrected.

Thereafter, in keeping with our office policies, we conducted a specialized examination of the bank commencing on April 19, 1982. That exam included a full scope review of the loan portfolio. On May 13, 1982, Examiner Plunk telephoned me to report that he was finding significant deficiencies in the bank. He stated that, while it was far too early to make accurate predictions with regard to the overall condition of the institution, he felt that there existed the potential for his examination to find the bank to be in serious trouble. On May 21, I telephoned Roy Jackson, the FDIC Regional Director in Dallas, regarding a different matter. During that conversation, however, I informed Mr. Jackson of my call from Examiner Plunk that potential problems existed at Penn Square Bank. On June 23, I spoke further with Mr. Jackson regarding the status of our examination.

I think it is significant to note the degree of deterioration suffered by Penn Square Bank between the time of our visitation of September 30, 1981, and the date of the bank's closing on July 5, 1982. Approximately \$30 million of the \$457 million in loans that were eventually

classified as loss were made after September 30, 1981. The bank also increased its loan portfolio by \$161 million and its total of participations sold by almost one billion dollars during the period in question. These activities increased the bank's outstanding loans by 63 percent and almost doubled the bank's total of participations sold. All of this took place at a time when the oil and gas industry was experiencing a completely unexpected and unprecedented economic slump.

In hindsight, we can now see that the Board of Directors and management did not follow through on the promises made to us at the board meeting held on July 29, 1981. The bank did not complete the corrective

actions which our September 30, 1981 examination showed to be underway. These failings by the Board and management left the bank in an extremely vulnerable position and led to the booking of new loans and a deterioration of existing assets resulting in the bank's closing on July 5, 1982.

In conclusion, I am fully satisfied with our supervision of the Penn Square Bank. The actions and procedures used in addressing the problems of this bank have been used successfully again and again in other institutions. Our conduct was totally appropriate to the condition of the bank as revealed to us by our supervisory efforts.

Statement of Doyle L. Arnold, Senior Deputy Comptroller for Policy and Planning, before the Commerce, Consumer and Monetary Affairs Subcommittee of the House Committee on Government Operations, Washington, D.C., September 30, 1982

The Office of the Comptroller of the Currency welcomes this opportunity to review its supervisory experience with U.S. banks controlled by foreign individuals.

The OCC, Federal Reserve, and the Federal Deposit Insurance Corporation jointly submitted data regarding U.S. banks owned 25 percent or more by foreign individuals to the Subcommittee on September 24 in response to the Subcommittee's letter of August 18, 1982. The data, including some statistics for national banks, are reproduced in this report as Tables 1-10. Additional data are provided for national banks in Tables 11-20.

This statement briefly reviews the joint findings of the three federal bank regulatory agencies, and provides additional information regarding our supervisory experience with national banks owned 25 percent or more by foreign individuals.

Foreign Individual Owned Bank Presence in the United States

As noted in Tables 1-4, 52 U.S. banks are 25 percent or more owned by foreign individuals, either directly or indirectly through holding companies, and have been under foreign ownership for 6 months or more at the time of the most recent examination. Eighteen of these banks are national banks which come under the supervisory authority of the Comptroller of the Currency.

The total aggregate domestic deposits of foreign individual owned banks amounted to \$12.03 billion as of June 30, 1982. The total aggregate domestic deposits of foreign individual owned national banks amounted to \$7.04 billion, or 98 percent of the total for all national banks (see Table 11).

The median deposit size of all foreign individual owned banks was \$73.4 million, for foreign individual owned national banks \$70.6 million, compared to \$36.1 million for all national banks.

Tables 1-4 also give the names, locations, and deposit sizes of all foreign individual owned U.S. banks. Of the 18 foreign individual owned national banks, seven are located in Florida, three in New York, two each in Colo-

rado, New Jersey, and California, and one each in Georgia and Texas. The highest identified owners of eight of these banks are from Latin or Central America, six from Western Europe or Canada, and only two each from the Middle East and Asia.

Overall Supervisory Experience with Foreign-Owned Banks Comparable to Domestically-Owned Banks

The OCC's supervisory experience with foreign individual owned national banks is not significantly different from our experience with domestically owned national banks. Our conclusion is reached from a study of the 18 national banks that are 25 percent or more owned by foreign individuals. Two banks were established *de novo* by the foreign individual, and five were acquired by foreign ownership prior to the establishment of the Uniform Financial Institutions Rating System (CAMEL).

While general statements about this group of banks must be qualified by the extremely small sample, we made five observations on the banks studied. They are:

- While the individual performance record shows mixed results, several banks were in less than satisfactory financial condition when they were acquired.
- Most national banks experienced no significant change in or improved their condition after acquisition by foreign ownership.
- Capital levels are generally adequate.
- The collective record of compliance with law is not significantly different from that of all national banks.
- There is no material difference in the character or number of consumer complaints made against these banks.

Mixed Performance Record

We believe that no general conclusion can be drawn from the overall record of such a small group of banks

While the individual record of financial performance varies in each case, several general observations can be made on the number of banks in less than satisfactory condition and overall ratings compared to local peer groups.

Fourteen of the national banks are presently considered satisfactory and only four are in less than satisfactory condition (Table 12) as measured by the CAMEL composite rating. The CAMEL composite rating provides a very good proxy for the overall condition of a bank including the strength of its management, its financial soundness and its record of compliance with law. In general terms CAMEL ratings of 1 and 2 are excellent to satisfactory; ratings of 3, 4 and 5 range from less than satisfactory to poor.

One of the four less than satisfactory banks is presently considered a problem bank with a composite rating of 4. Since acquisition of that bank, foreign ownership has injected capital funds and made changes in management, and the bank has improved. Prior to acquisition, this bank carried a composite rating of 5 and was in imminent danger of failure.

Two of the other three banks were also less than satisfactory prior to acquisition and have not significantly improved. The remaining bank became subject to increased supervisory concern during 1981, having deteriorated after acquisition by the foreign individual.

Table 14 compares the component and composite ratings of the foreign owned banks with the ratings of their local peer groups at the date of the last examination. While the ratings of the group appear generally worse than those of the peer group, only the four discussed above are now less than satisfactory.

Overall Condition Remained Unchanged or Improved

Table 13 reflects the changes in the CAMEL component and the composite ratings shown by the banks since the date of acquisition. The table shows that of the 11 banks where the CAMEL rating prior to acquisition is available, only one has declined since acquisition. Six banks remained unchanged in their overall rating and four banks improved.

Adequate Capital

Only four of the 18 national banks have less than satisfactory capital levels. One of these has a strained capital level. Of the other three, one has a realistic plan to augment the capital base and return it to an adequate level. Two were not of significant concern. The capital of the remaining 14 banks is satisfactory, with 10 of them having excellent ratings.

No Material Difference in the Record of Compliance with Law

Our study of the record of compliance with law reflected a number of violations disclosed at the last examination. The vast majority of these violations were not substantive and do not pose any threat to the bank or its

customers. Due to the complexity of banking laws and the precision of many, technical violations are not unusual in domestically owned banks. Substantive violations of both general banking and consumer protection laws are discussed below.

General Banking Laws

Table 15 shows a total of 276 violations. The single statute most often violated was the Bank Secrecy Act and its implementing regulation, 31 CFR 103 (115 violations). The overwhelming majority of these were reported in banks located in south Florida. The number of violations reflects the results of our increased efforts, in cooperation with the Treasury and Justice Departments, to enforce compliance with the Bank Secrecy Act.

Most of the violations of the Bank Secrecy Act did not reflect a pattern of willful non-compliance. Only one of the banks was in substantial non-compliance, with 69 violations reported. As a result, the bank entered into a formal written agreement with the OCC to correct all violations and establish systems to ensure future compliance. The formal agreement has been effective in addressing the problem, with only two technical violations of the Act reported at a recently completed examination.

Thirteen violations of the legal lending limit established by 12 USC 84 were disclosed at the last examinations. These violations have either been corrected or are in process of correction. Ten of the violations were reported at three banks against which the OCC has taken formal enforcement action. No concentration of other violations of general banking laws was found.

Consumer Protection and Fair Lending Laws

The 18 foreign individual owned national banks exhibit levels of compliance with consumer laws similar to the national banking system as a whole. The consumer compliance record of these banks was reviewed using the Uniform Interagency Consumer Compliance Rating System which was established in January 1981. This system assigns a rating of 1 or 2 to banks with excellent or good compliance and 3, 4 or 5 to banks with less than satisfactory to poor compliance with consumer protection and fair lending laws.

Seventeen of these national banks have been assigned a rating of 1 or 2 (Table 16). One bank has been assigned a rating of 3; none were assigned a rating of 4 or 5. Because ratings have been used only since the beginning of 1981 and separate consumer compliance examinations have been conducted by OCC only since 1976, no comparison is made of ratings before and after acquisition by the foreign individuals.

Table 17 lists numbers and types of violations. The aggregate total of 118 violations is somewhat overstated due to the nature of OCC's automated recordkeeping system. The system reports two violations if the same violation is cited in two different departments of the same bank.

Forty-seven of the 118 violations cited were for Truth-in-Lending Act disclosure errors. Only one of the banks was cited for disclosure errors subject to the reimburse-

ment requirements of the Act. The examinations disclosed no violations of the Act in six banks.

Twelve of the errors cited were for violations of the Equal Credit Opportunity Act. Six banks were cited for violations of this Act. None of the violations involved illegal discriminatory practices. Eleven of the 12 violations concerned failure to provide accurate adverse action notifications within the time limits allowed.

Six banks were cited for violations of the Fair Credit Reporting Act for failing to advise loan applicants of the source of information that resulted in adverse credit decisions. Four banks were cited for violations of the Real Estate Settlement Procedures Act for failing to provide a special information booklet, good faith estimate or uniform settlement statement.

Comparable Complaint Record

Our review revealed no significant difference in the character or number of consumer complaints made against this group of banks compared to the record of domestically owned national banks (Tables 18 through 20). For the period January 1, 1981 through July 31, 1982, 323 complaints were filed against foreign individual owned national banks. Of these complaints, 269 were made against the two largest banks in the group, each of which has assets in excess of \$1 billion. One bank reflected a better and the other a slightly worse complaint record than other domestically owned banks of similar size in their area.

No consumer complaints were filed against five of these banks. The remaining 54 complaints were made against the other 11 banks, a frequency not significantly different from comparably sized domestically owned banks.

The resolution of consumer complaints against foreign individual owned national banks is not significantly different from the resolution of complaints against all

national banks. The banks reviewed were found to be in error 15.5 percent of the time, while all national banks are found to be in error 13.4 percent of the time. The larger banks reviewed accounted for most of the errors. No bank errors were found in 11 of the banks reviewed and none of the 18 banks were found to be in violation of law as a result of consumer complaints.

Because of data limitations, we examined only a limited sample of four national banks to compare consumer complaints before and after acquisition. The results of the analysis are inconclusive because of the small number of banks. Although the frequency of complaints against the four banks increased after acquisition, this can be expected. In our experience, ownership and management changes frequently result in changes in bank policies and practices and a temporary increase in the number of dissatisfied customers. It should also be noted that no banks in this small sample were found to be in error after acquisition.

Summary

We agree with the other bank supervisory agencies that individual foreign ownership of banking institutions has not been of particular concern. Our experience shows that each of these banks must be reviewed on a case-by-case basis. Our review of the record of each bank shows that most do not need special supervisory attention. For the four banks that do, OCC has taken formal enforcement actions. In addition, we continue to watch their operations very closely.

In these 18 banks, only one can be said to have been adversely affected by its foreign owner. In four instances the foreign ownership appears to have had a beneficial impact. In the remaining 13 banks no significant impact, either positive or negative, upon the condition of the bank can be attributed to foreign individual ownership.

Table 1

U.S. Banks Owned by Foreign Individuals—Canadian & W. European¹
(Dollar amounts in thousands)

Bank	City	State	Domestic Deposits June 30, 1982
Coolidge Bank and Trust Co	Watertown	MA	\$ 124,805
(NB) Security NB & Trust Co. of NJ	Newark	NJ	52,970
Creditbank	Cutler Ridge	FL	35,283
(NB) 1st City NB of Jacksonville	Jacksonville	FL	9,350
Totalbank	Miami	FL	110,301
Biscayne Bank	Miami	FL	92,470
Intercontinental Bank	Miami	FL	404,660
(NB) Southern Florida Bank NA	Riviera Beach	FL	16,024
American Bank & Trust Co	New Orleans	LA	344,059
(NB) Alamosa National Bank	Alamosa	CO	26,334
Dominion Bank of Denver	Denver	CO	19,961
(NB) Dominion National Bank of Denver	Denver	CO	19,015
American Bank of Commerce	Phoenix	AZ	32,004
(NB) Bank of California NA	San Francisco	CA	1,742,416

¹Excludes banks owned by foreign persons other than National Banks.

Table 2
U.S. Banks Owned by Foreign Individuals—Latin American¹
(Dollar amounts in thousands)

<i>Bank</i>	<i>City</i>	<i>State</i>	<i>Domestic Deposits June 30, 1982</i>
(NB) Meadowlands National Bank	North Bergen	NJ	\$ 33.841
(NB) Central National Bank of NY	New York	NY	108.102
(NB) Republic National Bank of NY	New York	NY	3,438.257
(NB) Caribank NA	Coral Gables	FL	40.313
Dania Bank	Dania	FL	159.803
Safrabank	Miami	FL	230.639
(NB) Consolidated Bank NA	Hialeah	FL	362.854
(NB) Eagle National Bank of Miami	Miami	FL	73.195
Dadeland Bank	Miami	FL	51.112
(NB) Republic National Bank of Miami	Miami	FL	466.905
Florida International Bank	Perrine	FL	37.190
Sunshine State Bank	South Miami	FL	51.443
(NB) International Bank of Miami NA	South Miami	FL	67.945

Table 3
U.S. Banks Owned by Foreign Individuals—Middle Eastern¹
(Dollar amounts in thousands)

<i>Bank</i>	<i>City</i>	<i>State</i>	<i>Domestic Deposits June 30, 1982</i>
(NB) National Bank of Georgia	Atlanta	GA	\$430.999
First Bank & Trust Co.	Marietta	GA	145.524
Bank of the Commonwealth	Detroit	MI	796.824
Du Quoin State Bank	Du Quoin	IL	48.072
First Western Bank	Houston	TX	13.065
(NB) Texas Investment Bank NA	Houston	TX	28.415
Peoples Bank	Houston	TX	60.186
Western Bank	Houston	TX	223.787
Great Western Bank & Trust	Phoenix	AZ	438.357

Table 4
U.S. Banks Owned by Foreign Individuals—Far Eastern¹
(Dollar amounts in thousands)

<i>Bank</i>	<i>City</i>	<i>State</i>	<i>Domestic Deposits June 30, 1982</i>
Liberty Bank & Trust Co	Boston	MA	\$ 12.605
Chinese American Bank	New York	NY	197.976
(NB) Community NB & Trust Co of NY	New York	NY	73.585
Global Union Bank	New York	NY	21.458
American Pacific State Bank	Los Angeles	CA	111.757
Bank of Finance	Los Angeles	CA	21.334
California Overseas Bank	Los Angeles	CA	102.641
Independence Bank	Los Angeles	CA	140.201
(NB) Trans American National Bank	Monterey Park	CA	52.176
Pacific Union Bank & Trust Co	Menlo Park	CA	41.606
America California Bank	Palo Alto	CA	14.024
American Asian Bank	San Francisco	CA	40.234
Bank of Canton of California	San Francisco	CA	177.700
Bank of the Orient	San Francisco	CA	127.177
Redwood Bank	San Francisco	CA	160.364
American Security Bank	Honolulu	HI	40.150

¹Excludes banks owned by foreign banks. (NB) National Banks.

Table 5

Commercial Examination Data for U.S. Banks Owned by Foreign Individuals, Latest Examinations¹

Region of Owner	Number of Banks	Number of Banks With												Number of Violations for Banks Rated Composite		Total	Number of Enforcement Actions
		Capital Rating				Management Rating				Composite Rating				1-2	3-5		
		1	2	3	4-5	1	2	3	4-5	1	2	3	4-5				
Canada																	
Western Europe	14	4	8	1	1	2	7	4	1	4	5	4	1	54	31	85	5
Latin America	13	9	1	2	1	1	9	3	0	1	10	2	0	199	5	204	3
Middle East	9	5	2	1	1	1	6	1	1	3	5	0	1	19	5	24	1
Far East	16	5	6	4	1	2	6	5	3	2	10	1	3	29	25	54	3
Total	52	23	17	8	4	6	28	13	5	10	30	7	5	301	66	367	12

Excludes U.S. banks owned by foreign banks.
See Table 6 for details by types of violations.
See Table 10 for details.

Table 6

Commercial Examination Violations for U.S. Banks Owned by Foreign Individuals, Latest Examinations¹

Region of Owner	Number of Banks	Violations					Total
		Lending Limit	Credit to Affiliates	Exec Officer Borrowings	Bank Secrecy	Other	
Canada							
Western Europe	5	11	2	8	2	8	31
Latin America	2	2	0	1	0	2	5
Middle East	1	0	0	1	0	4	5
Far East	4	5	1	2	1	16	25
Total	12	18	3	12	3	30	66

Includes only those banks that were rated nonpositive 3-5 during the latest examination. Excludes U.S. banks owned by foreign banks.

Table 7

Consumer Examination Data for U.S. Banks Owned by Foreign Individuals, Latest Examinations¹

Region of Owner	Number of Banks	Number of Banks With Consumer Composite Rating of				Total Number of Violations of Consumer Banking Laws & Regulations	Total Number of Consumer Complaints, 1981-82 ²
		1	2	3	4-5		
Canada							
Western Europe	14	1	9	4	0	373	79
Latin America	13	0	10	3	0	194	247
Middle East	9	0	8	1	0	247	24
Far East	16	2	12	2	0	383	11
Total	52	3	39	10	0	1,197	361

Excludes U.S. banks owned by foreign banks.
See Table 6 for details by types of violations.
See Table 10 for details.

Table 8

Consumer Violations for U.S. Banks Owned by Foreign Individuals, Latest Examinations¹

Region of Owner	Number of Banks	Equal Cr Opportunity	Int on Deposits	Truth in Lending	HMD Act	Flood Insurance	Fair Cr Reporting Act	R E Settlement Act	Other	Total
Canada										
Western Europe	14	6	9	160	2	35	23	31	85	373
Latin America	13	6	13	108	7	8	8	7	27	194
Middle East	9	14	31	52	2	12	2	5	41	247
Far East	16	12	9	187	2	11	21	17	83	383
Total	52	38	62	507	13	66	54	60	236	1,197

Excludes U.S. banks owned by foreign banks.
See Table 6 for details by types of violations.
See Table 10 for details.

Table 9
Consumer Complaints Received About U.S. Banks Owned by Foreign Individuals, 1981-1982¹

Region of Owner	Number of Banks	Resolution				Total Complaints
		Bank in Error	Bank Correct	Questionable	Other	
Canada						
Western Europe	14	15	24	16	24	79
Latin America	13	33	37	12	165	247
Middle East	9	1	13	9	1	24
Far East	16	1	5	2	3	11
Total	52	50	79	39	193	361

¹Excludes U.S. banks owned by foreign banks.

Includes complaints for which the agencies gave the consumer general information and then heard no more about the matter.

Table 10
Enforcement Actions in Effect Toward U.S. Banks Owned by Foreign Individuals, August 31, 1982¹

Type of Action	Date	Condition to be Corrected
Written Agreement	May 1982	Inadequate capital position, poor management and earnings performance, low asset quality and growth, and limit certain international activity.
Formal Agreement (NB)	Jan. 1981	Poor asset quality; inadequate disclosures regarding the condition of the loan portfolio; mismatched and inflexible balance sheet; violations of law, including consumer laws.
Memorandum of Understanding (NB)	Sept. 1981	Inadequate capital and earnings, violations relating to trust and consumer laws; inadequate disclosure regarding the condition of the loan portfolio.
Amendment to Existing Cease and Desist Order (NB)	June 1981	Inadequate capital, improper transactions with affiliates.
Formal Agreement (NB)	May 1981	Improper loans and other transactions with insiders (self-dealing); poor overall loan quality and administration, internal control and internal audit deficiencies.
Formal Agreement (NB)	Jan. 1981	Non-compliance with Bank Secrecy Act.
Memorandum of Understanding	Feb. 1980	No written loan policy, unsatisfactory loan loss reserves, inadequate loan documentation, suspend cash dividends unless approved by FDIC, poor asset quality, violations of consumer laws.
Memorandum of Understanding	Mar. 1981	Poor asset quality, no written loan policy, inappropriate accounting policies, poor loan administration and collection procedures, low loan loss reserves, violations of consumer laws.
Memorandum of Understanding	Oct. 1981	Low asset quality and liquidity, inadequate loan loss provision, violations of law.
Memorandum of Understanding (NB)	June 1982	Low capital, inadequate liquidity and funds management policy, poor loan policies and inadequate credit files and loan documentation, no overdraft policy, no internal auditor and poor internal controls.
Memorandum of Understanding	Aug. 1982	Poor asset quality, inadequate loan loss reserves, no written liquidity and funds management policy, low capital, violations of laws, poor operational efficiency.
Cease and Desist Order Section 8(b)	Mar. 1981	Unacceptable management, inadequate capital and loan loss reserves, violations of laws, low asset quality, excessive overdue loan totals, poor loan documentation.

¹Excludes U.S. banks owned by foreign banks. (NB) National Banks.

Table 11
U.S. National Banks 25 Percent or More Owned by Foreign Individuals
(Dollar amounts in thousands)

Bank Ownership by Nationality of Largest Identified Owner	Number of Banks	Total Domestic Deposits (6/30/82)	Median Deposit Size
Canada/W. Europe	6	\$ 1,866,109	\$ 22,675
Latin America	8	4,591,412	90,649
Middle East	2	459,414	229,707
Far East	2	125,761	62,881
Total	18	7,042,696	70,570
All U.S. National Banks	4,506	720,651,772	36,097
Foreign Individual Owned National Banks as Percent of all National Banks	0.40%	0.98%	195.50%

Table 12
CAMEL Ratings of U.S. National Banks 25 Percent or More Owned by Foreign Individuals¹

Number of Banks	Capital Rating					Assets Rating					Management Rating					Earnings Rating					Liquidity Rating					Composite Rating				
	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
18	10	4	3	2	0	5	10	2	1	0	3	10	4	0	1	5	6	2	1	1	14	4	0	0	0	5	9	3	1	0

Table 13
Supervisory Performance of U.S. National Banks Since Acquisition 25 Percent or More by Foreign Individuals¹

Rating	Number of Banks with					
	No Change Since Acquisition	Of Which Less Than Satisfactory	Improvement Since Acquisition	Of Which Less Than Satisfactory	Decline Since Acquisition	Of Which Less Than Satisfactory
Capital	5		5	1	1	0
Assets	3		4	1	4	1
Management	5	1	2	0	4	3
Earnings	4	1	7	1	0	0
Liquidity	5	0	6	0	0	0
Composite	6	2	4	1	1	1

¹ Banks with ratings of 1, 2, 3, 4, or 5 are satisfactory. Banks with ratings of 1 or 2 are excellent. Banks with ratings of 3, 4, or 5 are satisfactory. Banks with ratings of 1 or 2 are excellent. Banks with ratings of 3, 4, or 5 are satisfactory. Banks with ratings of 1 or 2 are excellent. Banks with ratings of 3, 4, or 5 are satisfactory.

Table 14
Supervisory Performance of U.S. National Banks 25 Percent or More Owned by Foreign Individuals Compared to Their SMSA National Bank Peer Group

Rating	Number of Foreign Individual Owned Banks with Ratings					
	Worse Than Their Peer Group	Better Than Their Peer Group	Of Which Less Than Satisfactory	Worse Than Their Peer Group	Of Which Less Than Satisfactory	
Capital	0	2	0	6	4	
Assets	0	0	0	6	3	
Management	0	0	0	6	3	
Earnings	0	0	0	6	3	
Liquidity	0	0	0	6	3	
Composite	0	0	0	6	3	

Table 15

Commercial Examinations — Number of Violations at U.S. National Banks 25 Percent or More Owned by Foreign Individuals Latest Examination

Bank Ownership by Nationality of Highest Identified Owner	Number of Banks	Statutes Violated					Other	Total
		Lending Limit	Credit to Affil	Exec Officer Barr	Bank Secrecy			
Canada								
W Europe	6	4	1	1	5		44	55
Latin America	8	5	3	2	109		82	201
Middle East	2	0	0	0	0		6	6
Far East	2	4	1	0	1		8	14
Total	18	13	5	3	115		140	276
By Composite CAMEL Rating								
Rating								
1-2	14	3	4	1	112		125	145
3-5	4	10	1	2	3		15	31

Violation of 12 USC 84

Violation of 12 USC 371c

Violation of 12 USC 375a

Violation of 31 CFR 103

Includes violation of Regulations Q and Z, 12 USC 29 (time limit for holding real property, not part of bank premises), 12 USC 84 (Barr) with 12 USC 371c (Secrecy) violations.

Includes also consumer violations detected during commercial examination which may also be reported as consumer examination violations.

Table 16

Consumer Examination Data for U.S. National Banks Owned by Foreign Individuals, Latest Examinations

Region of Owner	Number of Banks	Number of Banks With Consumer Composite Rating of					Total Number of Violations of Consumer Banking Laws & Regulations	Total Number of Consumer Complaints 1981-82
		1	2	3	4	5		
Canada/Western Europe	6	0	5	1	0	0	56	69
Latin America	8	0	7	1	0	0	42	238
Middle East	2	0	2	0	0	0	15	9
Far East	2	1	1	0	0	0	5	7
Total	18	1	15	2	0	0	118	323

Table 17

Consumer Violations for U.S. National Banks Owned by Foreign Individuals, Latest Examinations

Region of Owner	Number of banks	Equal Cr Oppor- tunity	Int on Deposits	Truth in Lending	HMD Act	Flood Insurance	Fair Cr Reporting Act	R E Settlement Act	Right to Financial Privacy Act	Other	Total
Canada											
W Europe	6	7	0	20	0	3	4	9	0	13	56
Latin America	8	0	2	21	6	1	4	0	0	8	42
Middle East	2	5	1	3	0	2	2	0	0	2	15
Far East	2	0	0	3	0	0	0	1	0	1	5
Total	18	12	3	47	6	6	10	10	0	24	118

Table 18

Relative Incidence of Consumer Complaints of U.S. National Banks 25 Percent or More Owned by Foreign Individuals January 1, 1981 to July 31, 1982

Foreign Banks Grouped by Area of Highest Identified Foreign Ownership	Number of Banks	Total Number of Complaints 1/1/81-7/31/82	Annualized Number of Complaints	Total Assets 12/31/81 (\$ millions)	Ratio
A Canada & West Europe	6	69	43.6	\$ 3,589	0.0124
B Latin America	8	238	150.3	8,643	0.0174
C Middle East	2	9	5.7	572	0.0098
D Far East	2	7	4.4	134	0.0328
TOTAL	18	323	204.0	12,929	0.0158
All U.S. National Banks TOTAL	4,453		11,309	958,156	0.0158

Ratio calculated as annualized number of complaints per million dollars of assets.
Total number of complaints in 1981.

Table 19

*Consumer Complaints of U.S. National Banks 25 Percent or More Owned by
Foreign Individuals January 1, 1981 to July 31, 1982*

<i>Banks Grouped by Area of Highest Identified Foreign Ownership</i>	<i>Dep</i>	<i>Loan</i>	<i>EFT</i>	<i>Trust</i>	<i>Int'l</i>	<i>Appeal</i>	<i>Other</i>	<i>Total</i>
A Canada & West Europe	17	28	0	7	2	8	7	69
B Latin America	175	11	1	1	1	29	20	238
C Middle East	4	4	1	0	1	1	0	9
D Far East	3	2	0	0	0	0	2	7
TOTAL	199	45	1	8	3	38	29	323
% of Total	61.6%	13.9%	0.3%	2.5%	0.9%	11.8%	9.0%	100%
<i>All U.S. National Banks</i>								
% of Total - 1981	31.1%	44.0%	2.3%	2.1%	1.4%	8.6%	10.5%	100%

Table 20

*Resolution of Written Consumer Complaints of U.S. National Banks 25 Percent or More Owned by
Foreign Individuals January 1, 1981 to July 31, 1982*

<i>Foreign Banks Grouped by Area of Highest Identified Foreign Ownership</i>	<i>Types of Resolutions</i>							<i>Total</i>
	<i>Violation of Law</i>	<i>Bank in Error</i>	<i>Bank Correct</i>	<i>General Information Given</i>	<i>Factual Dispute- Referral to Atty.</i>	<i>Other</i>	<i>Outstanding</i>	
A Canada & West Europe	0	15	15	17	15	4	3	69
B Latin America	0	33	33	61	7	76	28	238
C Middle East	0	1	6	1	1	0	0	9
D Far East	0	1	2	3	1	0	0	7
TOTAL	0	50	56	82	24	80	31	323
% of Total	0%	15.5%	17.3%	25.4%	7.4%	24.8%	9.6%	100%
<i>All U.S. National Banks - 1981</i>								
% of Total	0.4%	13.4%	24.2%	25.9%	10.7%	14.5%	10.9%	100%

Speech by Richard V. Fitzgerald, Director, Legal Advisory Services Division,
before the Ninth Annual Conference on Legal Problems of Bank Regulation, San
Francisco, Calif., September 23, 1982 and Washington, D.C., October 18, 1982

“Thoughts on Antitrust Policy”

The OCC has been called “pro merger” and I think that is a fair description. However, I would prefer to say “pro legal merger” because the case law has overwhelmingly supported our decisions. The OCC has generally adopted a less restrictive interpretation of the Bank Merger Act than our fellow regulators. Although differences in outlook and analysis do exist among the banking agencies and the Department of Justice, I think the popular impression of the litigation has exaggerated those differences. In my opinion, the banking regulators would agree on the disposition of 97 percent of all banking merger decisions (what we call the vanilla cases). The other 3 percent are the interesting ones. So far this year the OCC has approved about 80 real mergers and about twice that many phantoms. We have denied two applications (one in northern Maine and one in Michigan) which is twice our yearly average for the past few years.

In defining relevant markets for bank mergers it is the “line of commerce” or product market which has recently experienced the most profound change, largely due to the expanding powers of thrift institutions. The OCC is of the view that the realities of the marketplace require that competition from thrift institutions be considered in defining the appropriate product market and in assessing the competitive effects of a commercial bank merger proposal. Whether thrifts should be included in the relevant line of commerce for a particular merger must turn upon a case-by-case analysis of the role of thrifts in the relevant geographic market. Factors to be considered would include the degree to which thrifts are legally empowered to offer combinations of services which are similar to those of commercial banks and the degree to which such services are presently being offered including the likelihood of such near future competition. As thrifts acquire additional powers, particularly in commercial lending, their entry into commercial banking markets will provide substantial deconcentration. The President signed the Garn Bill last Friday (October 15, 1982). This legislation, which has become officially known as the Garn-St Germain Depository Institutions Act of 1982, which will allow savings and loans to invest up to 10 percent of their assets in commercial loans and grants them other new powers, is the most recent and most formal recognition of the blurring of the traditional boundaries between the various parts of the financial industry, a blurring that has really been under way for about the last 20 years.

The Supreme Court has held that the delineation of geographic markets is a “necessary predicate” to any antitrust evaluation. In defining market area, the OCC will generally look to bank service areas and depositor concentrations. The Federal Reserve, in contrast, uses predetermined markets, i.e., modified Standard Metropolitan Statistical Areas (SMSAs) in populated areas and designations that parallel political subdivisions in

rural areas. The FDIC tends to use a circular zone with the bank at its center.

After market delineation is made, the proposed transaction is analyzed in terms of either the direct competition doctrine, where the merging banks compete presently and directly with each other; or the potential competition doctrine, where the acquiring institution does not yet compete in the target market. The potential competition doctrine focuses on “probable future effects.” The confusing jargon of the potential competition doctrine makes the whole subject sound a lot more complicated than it really is. There are two major theories: (1) the perceived potential entrant theory (or wings effect), which speculates about the procompetitive effects an acquiring firm has on those firms already in the market even though the acquiring firm has no presence there; and (2) the actual potential entrant theory (or “toehold” theory) which speculates on the effects an acquiring firm would have on a market if entry were accomplished through entry *de novo* or merger with a smaller bank.

If the acquiring bank is present in the target market, the OCC examines the extent to which that market is already competitive and the likely impact of the proposed merger on the degree of competition. If the acquiring bank is not already in the market, the OCC must determine: (1) what impact the acquiring bank has on the relevant market prior to entry, and (2) if there is a possibility that the acquiring bank could enter the market in any other fashion. Thereafter, the OCC must assess whether actual competition will be decreased by the proposed merger. In general OCC recognizes that a purely structural analysis may not accurately reflect the competitive effects of a proposed merger. For example, in smaller markets, a large change in concentration ratios may reflect only a small shift in competition. Consequently, the OCC is willing to place less emphasis on commercial bank concentration ratios and market share figures in assessing the effects of certain mergers if there is other reliable evidence that the relevant markets are competitive and are likely to remain competitive.

The OCC has never been an enthusiastic supporter of the potential competition doctrine in bank merger decisions. The Department of Justice has litigated and lost 12 potential competition cases involving bank mergers. This is not surprising because any discussion of future occurrences in the marketplace is necessarily ambiguous and highly subjective. Moreover, the restrictions imposed by the McFadden Act and the Bank Holding Company Act on bank expansion contribute to the difficulty of Justice’s arguments because the potential competition theory was premised on the relatively unrestricted market entry of things like liquid bleach and shoes.

The potential competition doctrine, as viewed by the Federal Reserve Board, received a setback in the 1981

case of *Mercantile Texas Corporation v. Board of Governors*, where the Fed's denial of a holding company acquisition was vacated and remanded by the Fifth Circuit. The court held that the Fed had turned down the acquisition on grounds that fell short of an antitrust violation of the Clayton Act standard which is written into the Bank Holding Company Act. The Solicitor General declined the Fed's request to petition the Supreme Court for *certiorari*. The Fed also lost two other 1981 Circuit Court cases on similar grounds.

In order to deny a bank merger on potential competition grounds, the Fifth Circuit in the *Mercantile* case held that the agency must make four findings:

First, that the market is "highly concentrated";

Second, that the existence of few other potential entrants indicates that the elimination of one of them from their ranks will have a "significant anti-competitive effect";

Third, that the applicant "would prefer" the opportunity to enter the target market over other opportunities for expansion or investment, and

Fourth, that the applicant's entry *de novo* or by toehold acquisition will result in "ultimate deconcentration" of the market or in other procompetitive effects.

The Fifth Circuit held that to deny a bank merger on potential competition grounds the agency must establish that it is probable that the market will be substantially more competitive without the proposed merger than with it. In my view, it would be easier in most cases to convince Jerry Falwell of the certainty of evolution.

The Fed's Guidelines

In January 1982, the Fed published proposed guidelines enumerating the factors it will consider with respect to bank and bank holding company expansion applications. In direct competition analysis the Fed first looks to the size of the market shares of both the acquiring and the target institutions. In addition, the likely effect of the transaction on future concentration is assessed. Potential competition analysis looks to the degree of concentration in the markets involved and the possibilities for *de novo* entry, i.e., whether the markets contain opportunities for toehold acquisition and whether the applicant has the requisite financial and managerial ability to enter the target market independently. Rather than applying the analytical framework established by the *Mercantile* court, the Fed has established preliminary criteria to screen those applications that raise serious competitive questions. The Fed will only investigate potential competition issues where the following criteria are met:

(1) The market area must be concentrated, with the top three banks holding at least a 75 per cent share of deposits.

(2) There must be no more than four firms, excluding the applicant, among the top six in a state or with assets of \$1 billion or more, that are not already present in the target market.

(3) The market must be "attractive for entry," that is, it must be in a SMSA and have at least \$250 million in deposits.

(4) The target bank is among the top three in the market, holding at least 10 percent of the area's deposits, and therefore not considered a viable vehicle for toehold entry.

Jerry Hawke, the former General Counsel of the Fed, suggested in a *Legal Times of Washington* article that the Fed's guidelines have a limited scope. Mr. Hawke relates three interesting facts: (1) only 32 percent of the nation's SMSAs have a 3-firm concentration ratio greater than 75 percent, (2) fewer than 7 percent of non-SMSA counties have total bank deposits of \$250 million, and (3) the guidelines would have triggered a heightened analysis in only three cases since 1979; indeed, even *Mercantile* would not have triggered this heightened analysis.

The Department of Justice Guidelines

On June 14, 1982 the Justice Department announced new merger guidelines which indicate that more concentrated markets will be permitted. The new guidelines are a departure from the more strict 1968 guidelines and were designed to reduce uncertainty about whether a merger is likely to be challenged by the federal government. Most commentators have concluded that the new guidelines are not radically different from the 1968 version.

Using the Herfindahl-Hirschman Index of market concentration, the new guidelines divide markets into "unconcentrated," "moderately concentrated" and "highly concentrated." The "unconcentrated" markets (below 1,000 on the Herfindahl index) are safe harbors for mergers. Justice will scrutinize proposed mergers in moderately concentrated markets but the former guidelines' prohibition against exacerbating existing trends toward concentration is simply not mentioned. The mathematics of the Herfindahl test remind me of Mark Twain's admonition concerning the progressive scale of deception: i.e., there are lies, damn lies, and statistics. Nonetheless, the economists in our Office advise me that the Herfindahl index is a pretty good mechanism for measuring market structure.

Finally, it is noteworthy that potential competition is more likely to figure in a Justice challenge than in a Fed denial of a merger.

OCC Cases

Recent court decisions have supported the Comptroller's handling of applications which require Clayton Act analysis. Two mergers approved by this Office withstood challenges from Justice on potential competition grounds: *U.S. v. First National State Bancorporation* (New Jersey) and *U.S. v. Zions Utah Bancorporation* (Zions). In *New Jersey*, OCC approval was conditioned on the divestiture of seven offices in order to eliminate direct competition problems. Thus, the merger was analyzed essentially as a geographic extension merger. In *Zions* there was no direct competition.

As noted above, the potential competition doctrine is not applicable where the market is already competitive.

Therefore, to make an acquisition in a highly concentrated market, an applicant must demonstrate that high concentration ratios do not accurately indicate a lack of competitiveness. In *New Jersey*, the presence of other banks as potential entrants, the impact of out-of-state banks, the role of thrifts in the state, and the general trend toward deconcentration convinced the OCC that the merger could be approved under the Clayton Act.

The *Zions* merger was approved without a written decision. Justice challenged on the theory that a future *de novo* entry would have produced more procompetitive results. As in *New Jersey*, the federal district court held that Justice failed to meet its burden of proof. *Zions* confirmed *New Jersey*'s holding that the examination of competitiveness in commercial banking could include the competitive presence of thrifts and other nonbanks. A March 1982 approval concerning the merger applications of two Connecticut banks follows the direction of these earlier decisions. The Connecticut decision stated that the relevant markets are competitive, that customers have numerous alternate sources of financial services, including thrifts, and that the Connecticut branching and home office protection statutes would discourage *de novo* entry.

In a 1980 denial of a merger between two Maine banks the OCC considered the presence of mutual savings banks in determining the level of competition in the market and the effect the proposed merger would have upon market performance. The decision noted that "sole" reliance on commercial banking is no longer satisfactory in the determination of market competition.

The Connecticut decision expanded on this theme of including so-called nonbank institutions in the antitrust calculus based upon the relevant factors I have outlined earlier. Thus far, notwithstanding the indication from the Fed in a 1980 decision that the thrifts will be factored into some decisions, only the OCC has the opinion that thrifts do indeed compete with commercial banks.

The Wise County Case

An August 16, 1982 Report from the General Accounting Office, the investigative agency of Congress, criticized the federal banking regulators because proposed bank mergers are not evaluated under uniform criteria. Moreover, the GAO Report said, the "line of commerce" and "potential competition" concepts also differ. It is my view that these differences among agencies are not only defensible but are desirable. Any complex subject matter will produce varied opinions among experts and it is the interaction of these opinions which,

in a Hegelian sense, will produce fair and equitable results.

For example, the OCC's recent approval of a Virginia bank merger was criticized by the Federal Reserve Board. Justice took up the challenge and trial began on June 16, 1982, two days after publication of the new guidelines. It was the view of the Fed that the relevant geographic market was all of Wise County, a political subdivision in southwestern Virginia which the OCC examined more empirically. Evidence was introduced at trial to show that three relevant towns in Wise County—Wise, Norton, and Coeburn—were effectively separated by a number of local factors: topography, snowfall, a lack of public transportation, a lack of an interstate highway, and an economic reliance on coal mining which effectively tied up the 8 miles of road between the two major towns with trucks and train crossings. A ZIP code analysis of depositor distribution supported the OCC's contention that Wise County was not a single banking market. Hence, by showing that the two banks were not horizontal competitors, the case became one of potential competition. The trial court upheld the Comptroller's decision.

Future Trends

It is my guess that current trends in deregulation will result in more mergers as well as in a healthier banking system. A modest but vital reform which will facilitate this trend would be the abolition of the automatic stay in bank merger cases. As matters stand now, Justice has extraordinary power over bank mergers and nowhere else in the non-regulated sector. Both Justice and other plaintiffs could still seek the remedy of preliminary injunctions in special cases while leaving most merger partners free to consummate deals which might otherwise be stifled simply because of procedural delays.

Paradoxically, the OCC has an obligation to enforce the antitrust laws in an industry which increasingly turns to consolidations and mergers in order to survive. On the one hand, we have bank markets which may be better suited economically to a 3- or even a 2-bank presence. On the other hand, the Bank Merger Act—notwithstanding the convenience and needs defense—generally forbids such concentration trends. It is in this area that the regulators have a responsibility to respond to the actual facts of real mergers. Little of value can be achieved by a slavish adherence to a theory that is better suited to a non-regulated industry or, indeed, a textbook.

Remarks by C.T. Conover, Comptroller of the Currency, before the SEC Major Issues Conference, Washington, D.C., October 7, 1982

"Disclosure in a Deregulated Environment"

I'm delighted to be here today to take part in this conference on major issues confronting financial institutions and financial markets. My topic is the impact of disclosing more information about bank supervision and enforcement actions.

Over the past several months, we have heard an increasing amount of discussion of the possible impact of such disclosure. Much of the debate stems from the failure of Penn Square, and it seems to me that this discussion poses a fundamental question: what kind of

a bank regulatory approach do we want to follow in this country?

To find an answer to that question, I want to look at three aspects of the issue: where we've been in the past, where we seem to be going in bank regulation, and the implications of increased disclosure on the nature of bank regulation.

Where We've Been in the Past

The primary goal of all bank regulation has been to preserve the safety and soundness of the banking system. Particularly after the bank failures of the 1920s and 1930s, it was felt that the best way to reach that goal was through a regulatory system that was largely rehabilitative. This system has depended heavily on extensive reporting by banks and exhaustive examinations by a corps of highly trained, commissioned bank examiners. It is a system that is expensive and labor-intensive—one OCC examiner for every 2.5 banks, compared to one SEC SRO examiner for every 18 broker-dealers. It is also a system that is largely non-public, although there have been some significant areas of disclosure.

The regulatory process in such a system is really very simple. Bank management and boards of directors have the first responsibility to identify and correct problems within their institutions. Our job is to act as supervisors. We identify problems through examinations. We work with management to solve or eliminate problems. And the whole system is based on the assumption that banks will be more open and cooperative because of our non-public approach. After all, most of our actions are remedial rather than punitive, although we do have the authority to issue cease and desist orders and remove bank management. Moreover, bankers know that our actions will be kept confidential.

The traditional rationale for not disclosing examination or other regulatory actions is that examinations are conducted for the benefit of regulators and banks, not for the education of the public. Information from bank examinations has not been disclosed on the assumption that disclosure of a bank's troubles would only make them worse—that is, disclosure would reduce public confidence in the bank and might contribute to its failure. Therefore, according to this line of reasoning, far from helping the public, disclosure would actually cause harm by hurting the safety and soundness of the banking system.

The idea that disclosure could harm the public is an inherently cautious approach. It is based on a concern that the public may not be sophisticated or experienced enough to understand complicated financial information if it were to be disclosed. So, we have continued to carry out our supervisory responsibilities in relative privacy.

Even within this confidential system of bank regulation, however, there has been a significant amount of disclosure. It may be worth looking at how that disclosure compares with other regulated industries.

As I understand it, examination reports are kept confidential for all kinds of financial institutions, regardless of where they are doing the regulating. Non-financial corporations are not examined at all. The closest thing to an examina-

tion for them is a certified audit, and except for the CPA's opinion in the financial statement, specific findings of the audit are confidential.

In the area of enforcement actions, however, there is a significant difference between depository institutions and other financial organizations. The OCC does not disclose enforcement actions, although it does release summaries of the actions with identifying information removed. The SEC and the self-regulatory organizations in the securities industry do disclose information on enforcement actions, although these actions are of a different nature from OCC's enforcement actions. Enforcement actions against non-financial corporations are also made public by the SEC and other government agencies.

All industries in the private sector are required to disclose some information about their financial condition. But banks are required to disclose the greatest amount. All banks are subject to the anti-fraud provisions of the securities laws. Registered banks, like all registered companies, must comply with securities laws. In addition, all banks must supply information required on the call reports, which include balance sheets, income statements and other financial data. Those reports are made public. Finally, we as regulators release aggregate information about the state of the banking industry based on the non-public information we receive from banks.

In contrast, securities firms, money market funds, and non-financial corporations must disclose less information. They must meet only the disclosure requirements of the securities laws.

Clearly, the pattern in the past has been for non-depository institutions to disclose less information about their financial condition and more about enforcement actions. Banks, on the other hand, must disclose more information about condition and less about enforcement actions. A significant problem is that information on bank condition includes a big unknown—that is, the real value of the loan portfolio, which is the largest asset on a bank's balance sheet. And it may be that it's possible to discover this information only through a formal examination.

Where We're Going in Bank Regulation

That's the pattern of bank regulation in the past. The question now is whether that pattern can or should be continued in light of changes that are occurring both here in Washington and in the banking industry itself.

The clear trend today is a move toward deregulation of banks. The legislation enacted by Congress last Friday is only the latest manifestation of that trend. I support this trend and believe it will continue.

But deregulation does not mean that all limits on bank activities are going to disappear. Instead, deregulation begins to shift some of the responsibility for discipline of banks from regulators to the marketplace. The regulators will no longer define what products banks may offer or set boundaries on how and where they may offer them. There will be less second-guessing of management decisions. Bank managers will be making their

own decisions, and the response from the market will determine whether they were right or wrong.

If the marketplace is to function efficiently and provide adequate safeguards against excessive risk, however, market participants need adequate information on which to base decisions. Additional disclosure of information about banks would benefit stockholders of those institutions that are not registered under the Securities and Exchange Act. It would benefit large depositors. And it would benefit other customers of banks, including other financial institutions.

For precisely those reasons, the federal bank regulators have already changed the call report to collect and disclose information on past-due loans for all commercial banks. Beginning with the last quarter of this year, all banks will be required to report the amount of their past-due loans. And, beginning with reports filed for the second quarter of 1983, that information will be made public.

The regulators are also seeking additional call report information in other areas. We want more data on the maturity and rate sensitivity of bank assets and liabilities and on bank commitments and contingencies. Again, that information will be made public.

We are considering other kinds of disclosures. One possibility would be to disclose enforcement actions against banks, although enforcement proceedings would still be held confidential. In other words, we would release information about the results of the enforcement process, but not about the process itself.

Clearly, such additional disclosure would begin to change the nature of bank regulation. It certainly would alter the traditional rehabilitative approach to bank supervision by motivating banks to avoid problems and permitting them less time to take remedial action.

What Are the Implications of More Disclosure?

At this point, it's not clear that either the public or the banks themselves understand what's at stake in this

issue. To that end, the subject of disclosure helps crystallize an important underlying conflict.

In the past, the banking system was considered somehow different from other parts of the private sector because of its importance to the functioning of the entire economy. Perhaps as a result of bank failures in the 1920s and 1930s, there has been a feeling that banks had to be protected. They had to be carefully regulated and assisted through careful examinations. And they had to be given access to a certain minimum amount of government-guaranteed funds through the medium of deposit insurance.

Now, however, banks are chafing against their protective restrictions. They want to offer new—and riskier—services in response to public demand. But, some banks are unwilling to consider surrendering their past protections. And so, it appears, is the public.

The fact is they can't have it both ways. In a deregulated environment there will be more risk for banks. Banks cannot take on that increased risk without accepting ultimate responsibility for their own mistakes. A system of confidential examinations and non-public enforcement actions will be inadequate to limit the risk to the system. Such a regulatory approach may also be too costly.

What is needed is the additional market discipline provided by public disclosure. But there are two legitimate points of view on this subject. On the one hand, banks will say: "If we have to disclose our problems, disclosure will only erode confidence and make our problems worse." On the other hand, regulators will argue: "If you knew that information about problems would be disclosed, maybe you would act to avoid them."

The transition to increased disclosure is vitally important. And I confess that I do not know precisely how to get there from here. I do know that we must begin now to take the first steps. We must begin to work toward a world where government supervision is less important and market discipline more important in guaranteeing a safe and sound banking system.

Remarks by C.T. Conover, Comptroller of the Currency, before the National Bankers Association, Atlanta, Ga., October 15, 1982

"Banking 1982: Performance, Problems and Prospects"

Over the past several months, there has been an increasing amount of press attention focused on the banking industry. For the most part, that coverage has been critical. It has emphasized the problems in bank loan portfolios and the increase in the number of bank failures this year. It also has highlighted international lending difficulties for U.S. banks.

Now we are beginning to hear some rather extreme statements about the stability of the U.S. banking system. In light of those statements and the events of the past several months, I believe it is time to take an objective look at what's really going on in the banking industry. I would like to address my remarks today to three

main topics. How have banks really been performing? What are the problems they face? What is the outlook for banks' ability to deal with those problems?

How Have Banks Been Performing?

First the good news: despite several years of high and volatile interest rates and sluggish economic growth, bank performance has not been bad. For the first half of 1982, the average return on assets was 7.4 percent, down only 6 basis points from the same period in 1981. And return on equity was 12.4 percent as of June 1982, down from 13.6 percent as of June 1981. Considering

the state of the economy in the previous year, that's not bad.

As in previous years, the performance of banks under \$100 million in assets outstripped the rest of the industry. That's the category that includes most of your members. You and your colleagues earned an average of 1.24 percent on assets, compared to .74 percent for the entire industry. Your average return on equity was 14.2 percent, compared to 12.4 percent for the entire industry.

There's even more good news. With the decline in interest rates, we can expect bank profits to show a sharp increase during the third quarter of this year.

What Are the Problems?

Why then, does the market—and the press—take such a dim view of banking? Because there's some bad news, too. Banks are facing some serious problems today—problems that don't show up in earnings figures.

International Lending

The problem that seems to be holding the spotlight for the moment is U.S. bank exposure overseas. I realize this is not an area of banking in which most of you are heavily involved, but the degree of public attention it is attracting makes it something about which you should be concerned. It has the potential to seriously affect public perceptions of the strength of U.S. banking.

The fact is that international loans by U.S. banks are troublesome. At year-end 1981, U.S. banks had \$320 billion outstanding to foreign borrowers—that's an increase of more than 80 percent from 1977.

Moreover, when countries run into economic problems, collection on these loans can be difficult. Literally hundreds of banks are involved. The procedures for rescheduling are often clumsy and political considerations can complicate the situation.

At the same time, however, it's important to note that, historically, international borrowers have had a better record of repaying loans than domestic borrowers. International lending has been quite profitable for U.S. banks, which is one reason that they have increased their exposure.

The question now is how to avoid an overreaction to the current situation. The fact is that the situation is manageable if the major multinational and regional banks don't overreact and contract their lending. Bank regulators also must be responsible and not overreact. It's a tough line to walk between what is prudent behavior for individual banks and what is necessary for the banking system as a whole. So far, we have been able to keep our balance.

Domestic Situation

Banks are also facing considerable problems on the domestic front. Perhaps the most significant problem over the short term is the quality of the assets you hold in your portfolios.

As of June 1982, the average percentage of loans past due at all national banks was 4.3 percent. That average is up from 3.6 percent at year-end 1980, an increase of nearly 20 percent.

Unfortunately, problems in bank loans usually lag behind problems in the economy. And if that pattern holds true, it means that while the rest of the economy begins to pull out of the recession, banks will begin experiencing even greater loan problems. We are already seeing an increase in the volume of classified assets.

Moreover, these difficulties will become apparent at the same time banks are faced with another problem: the continuing loss of low-cost core deposits. The erosion of bank core deposits was well under way even before Congress enacted the Garn-St Germain bill on October 1. Core deposits had fallen from 82 percent of total deposits in 1976 to 49 percent in 1981. In the face of sky-rocketing interest rates, banks have had to pay higher and higher prices for funds to replace lost core deposits.

Now, with the new legislation, the Depository Institutions Deregulation Committee must give banks and thrifts a competitive instrument to help them hold on to their remaining core deposits and recapture some of the funds they have lost. But there's a catch: if banks really want to compete, they will have to pay market rates. And some holders of low-interest core deposits will shift their funds to the new instrument. That means that even with declining interest rates, banks will be paying a higher rate for what's left of their core deposits. Interest margins will be squeezed, and earnings will come under pressure.

Non-bank Competition

Banks face another problem that shows no signs of disappearing. Non-traditional competitors are continuing to carve inroads into your traditional business. Money market funds, Merrill Lynch's Cash Management Account, American Express and Sears compete with you directly. Under the new legislation, savings and loan associations will be able to offer services in direct competition with commercial banks. These services include commercial loans, non-residential real estate financing, leasing and consumer lending.

The entry of these competitors into your market is facilitated by new technological developments. The days of traditional brick and mortar banking appear to be numbered. More and more financial services are delivered through automated teller machines, over the telephone, and even through retail outlets. In southern California, for example, customers of one gas station can fill their gas tanks while draining their bank accounts—all in one easy stop.

Technology has two important effects on you. First, it makes possible new combinations of services to meet customer needs. Money market funds are the most obvious example of this phenomenon. Second, it makes those services available at lower cost and greater convenience to the customer. That means that new entrants into the banking business often have a distinct competitive advantage, because they are not burdened with the overhead of traditional brick and mortar branches.

Deregulation

Much of the banking industry has been fighting back against these non-traditional competitors. Even without formal deregulation, many banks have been putting to-

gether innovative new products to compete with the retailers and money market funds. And, wherever possible, the Comptroller's Office has approved bank applications to move into new areas of competition. All these events have stretched the traditional limits on price, product and location of bank services.

The Garn-St Germain bill gives added impetus to this piecemeal, *de facto* deregulation. In addition to requiring a competitive instrument, it also liberalizes borrowing and lending restrictions for national banks. It grants the regulators additional flexibility to assist distressed institutions. Most important, it is only the first step in formally loosening the restrictions that have limited banks' ability to compete.

But deregulation is a two-edged sword. On the one hand, it will enable well-managed banks to compete more successfully. On the other hand, it eliminates some of the traditional barriers that have protected banks from having to compete. It puts a premium on management skills, and some weaker institutions may not survive.

Problems with asset quality, loss of core deposits, increasing competition, and deregulation—that's quite a list of challenges facing the banking industry. No wonder the market is skeptical about banks' ability to deal successfully with their problems.

What Is the Outlook?

I believe that banks can meet these challenges—but I also believe it will not be easy. It will require concerted, thoughtful effort on your part. It will also require your recognizing that, under deregulation, the banking industry is no longer a protected enclave outside the normal operation of market forces.

The fact is that the financial services industry can be enormously profitable. Otherwise, we would not be seeing so many non-bank competitors trying to get into the banking business. The problem for banks is how to take advantage of the potential for profit—without the benefit of government protection or the guarantee of a monopoly on the financial services market. I believe the answer to that challenge can be summed up in one word: planning.

Planning involves decision-making about the future. All banks do it in one form or another. However, formal planning has been a luxury that only the largest institutions found worthwhile. That is clearly no longer the case. In fact, smaller institutions may have an even greater need than larger banks to develop a comprehensive plan for both the short term and the long term.

For the short term, banks must examine at least three areas. First, they must review their credit-granting policies and procedures, particularly in light of problems that are emerging in loan portfolios today.

Second, banks need to analyze their operating costs to see where they can be cut. For many banks, that will not be an easy task. But the fact is that many non-bank competitors have operating costs that are lower than those of banks.

Third, banks must take a closer look at their fee income. This will become an increasingly important source of income, given the reduced earnings potential

from a narrower interest rate spread. Analyzing fee income will require a better understanding of the costs of providing certain kinds of services. It may mean unbundling some products and pricing them more appropriately. It may also mean creating new services that have the potential to increase fee income.

The question of what services a bank chooses to offer and how they are priced is part of the longer term planning problem: defining an institutional identity. In the past, most banks have looked pretty much alike. They offered roughly the same kinds of services to the same market. They were subject to the same kind of regulation and received the same level of government insurance. Bank industry advertising has served to emphasize that sameness—all banks have stickers on their doors announcing their membership in FDIC, and many also have the blue dot announcing that they are "Full Service Banks."

That will almost certainly not be true under deregulation. You will have the opportunity—in fact, the need—to decide how to compete. And, more likely than not, that competition will require you to define your institutional identity much more sharply.

It may be instructive to look at what has happened to companies in other industries that have been deregulated. Those companies that have successfully moved to a less regulated environment have chosen one of three paths. A few have become nationwide providers of all things to all people. Others, generally the new entrants to the market, have specialized in providing low-cost services. In so doing, they have found a market whose only concern is price. The third group includes those firms that became specialists. They picked out particular kinds of services or products they wanted to offer and became the best at providing them. Again, they were able to meet the needs of a particular segment of the market.

Under deregulation, banks may very well have to make the same kinds of decisions. Making those decisions work, however, requires that you first make sure your plan is appropriate for you in your particular circumstances. It requires a ruthlessly honest assessment of your strengths and weaknesses. And it requires an equally honest analysis of the market opportunities that exist for you.

Conclusion

This is not to say that developing and carrying out a strategic plan will be an easy task, given the problems I have already outlined. Clearly it will not. The markets are not wrong in their assessment that banking faces some significant challenges over the next several years.

To paraphrase Mark Twain, however, let me say that I believe reports of banking's death are greatly exaggerated. The final report is not in yet on the impact of international lending difficulties, asset quality problems, and deregulation on U.S. banks. And banks still have an opportunity to influence their grades. I believe your long experience in banking and finance will equip you to face these challenges head on and to emerge even stronger for having done so. I stand ready to work with you as you move forward to tackle these problems.

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Directors' Liability—Opinion of the United States Court of Appeals for the Ninth Circuit No. 81-7466, Filed July 30, 1982

Petitioners-Appellants

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Walter L. Rasic
Andres Alonzo, Jr.
C. V. Holder
Martin Castillo
Grace C. Quinn
Antonio E. Valle
Gilbert R. Vasques
Hal W. Brown, Jr.

Respondents-Appellees

C. T. Conover*
Comptroller of the Currency
Office of the Comptroller of the Currency
Department of the Treasury

Petition for Review of an Order of the Comptroller of the Currency Argued and Submitted May 5, 1982 Before Fletcher, Pregerson and Reinhardt, Circuit Judges.

Fletcher, Circuit Judge:

In December 1979, a periodic examination by the Comptroller of the Currency ("Comptroller") of the Los Angeles National Bank ("Bank") disclosed a possible violation of the provisions of 12 USC 84. Section 84 limits the amount that a bank can lend to a single borrower to 10 percent of the bank's capital stock.¹ At issue was whether three of the Bank's loans were really to the same entity and whether, when added together, they exceeded the bank's legal lending limit.

The loans were to Rehbock Lewis ("Lewis"), President of Fame Furniture Co., Inc.; Fame Furniture Co., Inc. ("Fame"); and Ralph Ware ("Ware"), Treasurer of Fame. The chart below sets forth the date, borrower, and amount of each loan as well as the legal lending limit of the bank at the time of each loan and the amount by which the loans, when aggregated, exceeded the legal lending limit.

* Pursuant to Fed. R. App. P. 43(c) C. T. Conover is substituted for Charles E. Lord as Comptroller of the Currency.

¹ 12 USC 84 provides in pertinent part:

The total obligations to any national banking association of any person, copartnership, association, or corporation shall at no time exceed 10 per centum of the amount of the capital stock of such association actually paid in and unimpaired and 10 per centum of its unimpaired surplus fund.

The amount of the bank's legal lending limit is not an issue in this case.

Date Granted	Borrower	Amount	Lending Limit	Excess Amount
9/19/79	Lewis	\$225,000		
5/9/79	Fame	225,000		
	Subtotal	450,000	\$272,886	\$177,134
6/11/79	Ware	125,000		
	Present Balance	575,000	277,108	297,892

The legality of the Lewis loan for \$225,000 has never been at issue, as that loan did not exceed the legal lending limit of the bank when it was made. However, if the Lewis, Fame, and Ware loans could be aggregated, then the latter two loans would exceed the Bank's lending limit.

The Comptroller first requested the Directors of the Bank to indemnify the Bank for any losses sustained as a result of the two excess loans, the Directors refused. The Comptroller then began a formal cease and desist action against the Directors and the Bank by issuing a Notice of Charges. The Bank and Directors answered, and the Comptroller moved for summary judgment in an agency proceeding.

In the agency proceeding, the Bank and Directors admitted that they knew that the proceeds of the Fame and Lewis loans were to be used for the benefit of Fame. On these facts, the Administrative Law Judge (ALJ) ruled that it was proper to aggregate the Lewis and Fame loans so as to constitute a violation of 12 USC 84. He also ruled, however, that an evidentiary hearing would be necessary to determine whether the proceeds of the Ware loan were actually used for the benefit of Fame, an element that had to be satisfied if the Ware loan could be added to the Fame loan. Such an evidentiary hearing was then held, and the ALJ determined that the Ware loan was used for the benefit of Fame. Accordingly, the ALJ recommended that the Comptroller issue a cease and desist order, that the Directors indemnify the Bank for the Fame and Ware loans, that the Bank recover costs of collection fees, and that the Bank recover attorneys' fees that it had paid for the Directors' defense.

Although the Comptroller agreed with the ALJ's findings, he disagreed as to the proper construction of Section 84 with regard to reducing the Directors' liability. Both the Comptroller and the ALJ agreed that the potential liability of the Directors equalled \$350,000, the sum of the two excess loans. The ALJ would have permitted the Directors to reduce their liability of \$350,000 by offsetting a checking account of Fame and by selling bonds assigned as security to the Ware loan. The Comptroller, however, concluded that the Directors' potential \$350,000 liability could not be reduced by the Bank's recoveries until the legal but unsecured Lewis loan had been fully repaid with interest.

The Comptroller calculated the Directors' actual liability to the Bank as follows: the Bank had at the time of the hearing a credit total of \$332,292 on the total \$575,000 line of credit extended to the benefit of Fame. Therefore, for the sole purpose of reducing the liability the Comptroller applied these recoveries to the balance of the \$225,000 legal loan to Rehbock Lewis. The \$332,292 was applied to the reduction of the Directors' potential \$350,000 liability on the two illegal Fame-related loans. The Comptroller concluded that the Directors were liable to the Bank for the balance of \$17,708. The Comptroller stated that the Directors' liability was

The Directors then moved this Court to stay the Comptroller's final judgment. This court denied the motion without prejudice. Next, the Directors filed an identical motion with the Comptroller, who denied the motion. The Directors now appeal the final judgment of the Comptroller.

Issues

1. What is the proper standard for reviewing the Comptroller's fashioning of a remedy? 2. Did substantial evidence support the Comptroller's finding that the proceeds of the loan made by the Bank to Ware were used for the benefit of Fame in violation of the lending limit imposed by 12 USC 84? 3. Were the remedial measures required by the Comptroller appropriate to correct conditions resulting from the Directors' violation of 12 USC 84?

I. Standard of Review.

The parties agree that a "substantial evidence" standard applies to judicial review of administrative findings. The parties are correct. See 5 USC 706(2)(E).

The Comptroller has broad discretion to fashion a remedy. See *Groos National Bank v. Comptroller of Currency*, 573 F.2d 889, 897 (5th Cir. 1978). "Substantial evidence is required for the Comptroller's findings, but once the Comptroller finds a violation he may, within his allowable discretion, fashion relief in such a form as to prevent future abuses." *Id.* Similarly, he has broad discretion to cure the effect of a violation.

In reviewing the order that actually issued, we consider whether the affirmative action taken by the Comptroller was appropriate to correct the condition resulting from the Directors' violation of the banking laws.⁴

II. The Comptroller's Finding is Supported by Substantial Evidence That the Proceeds of the Loan Made by the Bank to Ware Were Used for the Benefit of Fame in Violation of the Lending Limit of 12 USC 84.

The regulation that implements the lending statute provides that "[o]bligations of a corporation must be

combined with any other extension of credit *the proceeds of which are used for the benefit of the corporation*." 12 CFR 7.1310(c)(3) (1981) (emphasis added). The issue presented by this regulation is whether there was substantial evidence to support a finding that the \$125,000 loan to Ware, the Treasurer of Fame, was "used for the benefit of the corporation."

The Comptroller found:

The hearing record clearly discloses the purpose and use of proceeds of the Ware loan. Mr. Ware, Fame's treasurer, testified that Fame's checking account at another bank was overdrawn. Accordingly, he and Mr. Lewis, Fame's president, went to the Bank to procure another loan. The Bank's vice president and senior lending officer, Mr. Jewett, informed Lewis and Ware that the Bank could not make an additional loan to Fame or to Mr. Lewis without violating the Bank's legal lending limit. Therefore, Mr. Ware's "name was used for the loan papers to borrow the money." Hearing Transcript 50-51. As agreed, the Bank put the Ware loan proceeds directly into Fame's corporate checking account. Hearing Transcript 51-52. See also Hearing Transcript 179-80, wherein Mr. Jewett testified that he knew the proceeds were "going to go through Mr. Ware to Fame." On these facts, the Comptroller agrees with the ALJ's finding and conclusion that the deposit of the Ware loan proceeds directly into Fame's corporate checking account shows that the proceeds were used for the benefit of Fame.

The evidence of the corporation's overdrawn account, the corporation's search for another loan, the action and knowledge of the Bank's lending officer, and the deposit of the loan proceeds directly into Fame's account is substantial enough to support the Comptroller's finding.

Thus, because sufficient evidence supported the finding that the Ware loan was for the benefit of Fame, that loan could be aggregated with other Fame loans to calculate whether an excess loan had been made.

III. The Remedial Measures Required by the Comptroller Were Appropriate to Correct Conditions Resulting from the Directors' Violation of 12 USC 84.

The Directors attack the remedy sought by the Comptroller in Article II of the cease and desist order. The Directors argue that (a) indemnification is an improper remedy because the Directors did not "knowingly violate" the banking laws; (b) if indemnification is a proper remedy, then the Directors must be allowed to reduce their liability on the illegal loans by offsetting a checking account and selling collateral, even though the legal unsecured loan remains unpaid; (c) the Comptroller lacks authority to order that collection and attorneys' fees be paid to the Bank.

The provisions of Article II are summarized: (1) the Directors, with certain exceptions, must indemnify the Bank for lost principal and interest on the Fame and Ware loans; (2) The Directors must indemnify the Bank for attorneys' fees; (3) The Directors must indemnify the Bank for the effort to collect the Fame and Ware loans.

A. The Directors Knowingly Violated the Lending Requirements of 12 USC 84.

In the past, violations of the excess lending rule in 12 USC 84 (1976) have been enforced through district court proceedings made possible by 12 USC 93 (1976 & Supp. IV 1980). Section 93, which is derived from the National Bank Act of 1864, imposes liability on directors for knowingly violating or knowingly permitting violations of the banking laws. Here, however, the Comptroller, in an enforcement proceeding, is seeking to indemnify the Bank through the application of 12 USC 1818(b)(1) (Supp. IV 1980).¹ Although in effect since 1950, Section 1818(b)(1) was significantly amended in 1978 to extend the coverage of cease and desist orders, which had previously applied only to a bank, to include a bank's directors. On its face, Section 1818(b)(1) requires no knowledge on the part of the wrongdoer. The provision simply allows the Comptroller "to take affirmative action to correct the conditions resulting from any such violation or practice."

Defendants argue, however, that 12 USC 1818(b) imports the scienter requirement of Section 93 when the Comptroller seeks to impose personal liability on bank directors for exceeding bank lending limits. We need not and do not resolve that question today. Even if the "knowingly" standard of 12 USC 93 applies to an 1818(b) enforcement proceeding, we agree with the Comptroller that defendants are liable here.

The Supreme Court has enunciated the scienter requirement of Section 93:

Under the rule settled by familiar decisions of this court, in order for the Bank to prevail in this action it must appear not only that the liabilities of a person, company, firms, etc., to the Bank for money borrowed were permitted to exceed the prescribed limit, but that defendant, while a director, participated in or assented to the excessive loan or loans not through mere negligence but knowingly and in effect intentionally . . . with this qualification, that if he deliberately refrained from investigating that which it was his duty to investigate, any resulting violation of the statute must be regarded as "in effect intentional," . . .

Corsicana National Bank v. Johnson, 251 U.S. 68, 71-72 (1919) (citations omitted).

The Directors had knowledge of the identity of the borrowers, knowledge that all the loan proceeds were to be used by one company, and knowledge of the loan amounts and the bank's loan limits. The defendants have maintained that, because the loans were made on separate occasions, they failed to aggregate the loans. However, 12 USC 84 requires the aggregation of loans to a single entity. Directors of a national bank operate in an area closely regulated by federal law, and cannot maintain ignorance of the law as a defense. *Cf. United States v. Corbin Farm Service*, 444 F. Supp. 510, 519

(E.D. Cal.), *aff'd* 578 F.2d 259 (9th Cir. 1978) (word "knowingly" in penalty section of federal pesticides act refers to awareness of facts, not awareness of law).

Since the scienter requirement of Section 93 has been satisfied, whatever requirement Section 1818(b) may have imported from Section 93 has also been satisfied.

B. The Comptroller Can Properly Require That the Directors' Potential Liability of \$350,000 Not Be Reduced by Recoveries Until the Legal Loan to Lewis Has Been Repaid with Interest.

The Directors' potential liability is limited to \$350,000—the difference between the total credit extension to Fame (\$575,000) and the amount of the legal Lewis loan (\$255,000).² The Comptroller takes the position that the Directors' potential loss of \$350,000 cannot be reduced by recoveries until the legal loan to Lewis has been repaid with interest.

In the instant case, the purpose underlying 12 USC 84—protection of a bank's assets—will be furthered if the Directors are not allowed to extinguish their liability until the legal Lewis loan, which is unsecured, is fully repaid.³ The policy of protecting bank assets would be frustrated if the Directors were allowed to make, as they did, an unsecured but legal loan to the borrower, then to use, or agree to the use of, the borrower's assets to secure further credit extensions that are illegal. Such a procedure would permit the Directors to protect themselves fully against any exposure resulting from the illegal loans while substantially increasing the risk that the bank would be unable to recover the amount of its legal loan. The fiduciary responsibility of the Directors of the bank precludes them from protecting themselves against liability at the bank's expense. The security arrangement was in derogation of that responsibility. Thus, the Directors may not use the borrower's assets to extinguish their own liability to the bank.

Here, the Directors ignored the recommendation of the Comptroller and the bank president's advice that the first loan to be paid off should be that of Rehbock Lewis and not Fame Furniture, since the stockholders might claim that this loan was paid to limit the liabilities of the Directors. The Comptroller's remedy is appropriate, because any other remedy could create a conflict of interest between the Bank and its Directors.

In light of the Comptroller's broad discretion to fashion an appropriate remedy, we conclude that the remedy he

The Directors argue that their liability should be reduced as the Fame and Ware loans are extinguished. The Ware loan has been extinguished by the sale of bonds held as collateral and the Fame loan has been reduced by the offset of Fame's checking account. The Comptroller concedes that, as to the relationship between the Bank and the borrower, collateral can be used to reduce only the loan to which the collateral was assigned. However, the Comptroller asserts that the legal principles governing offsets and the sale of collateral to pay off a loan need not apply to the relation between the Bank and the Directors in determining the Directors' liability.

¹ See note 4 *supra*.

Indeed, defendants concede in their opening brief "Appellants [sic] are not claiming ignorance of the law as a defense."

² The Initial Loan Credit Report stated that the Ware loan was "unsecured" from receivables of Fame and certain other assets. "However," it was actually used, however, to secure the Fame Ware loan, which was more than the legal Lewis loan.

selected was lawful. It serves to protect the bank's assets, to insure that the Directors fulfill their fiduciary duty and to prevent the Directors from insuring themselves against liability for their wrongful act at the Bank's expense.

C. The Remedy for Correcting Conditions Resulting from the Directors' Violation of Section 84 Properly Includes Collection Expenses on the Illegal Loans and Attorneys' Fees Paid by the Bank on Behalf of the Directors.

The Directors argue that the Comptroller is not authorized to award the Bank collection expenses and attorneys' fees paid by the Bank on behalf of the Directors. The Comptroller responds that he is authorized by 12 USC 1818(b)(1) to take affirmative action to correct conditions resulting from the Directors' violation of the banking laws. Obviously the Comptroller has interpreted the Bank's collection expenses and attorneys' fees paid on behalf of the Directors as "conditions resulting" from the violation of 12 USC 84.

The Directors argued that the collection expenses are not a condition resulting from the violation of the law: "There is no evidence that but for these loans being excessive they would not have become delinquent." That argument is meritless. If the Directors had acted within the law, the excess loans would never have been made, and the problem of collection would never have arisen.

The Directors also argue, relying on *Greene County Planning Board v. Federal Power Commission*, 455 F.2d 412 (2d Cir.), cert. denied, 409 U.S. 849 (1972), that the Comptroller lacks authorization to grant attorneys' fees absent a specific congressional mandate to do so. *Greene*, however, dealt with the power of a district court to grant attorneys' fees to third-party intervenors who sued under the National Environmental Policy Act and demanded attorneys' fees. While the power of the court to grant attorneys' fees to private parties in a suit is carefully circumscribed, that situation is entirely different from the one at bar. In the instant case, the Bank is not a third-party intervenor and is not demanding attorneys' fees. It is the Comptroller who has ordered the award to make the Bank whole for losses resulting from the Directors' violation of the banking laws. Deference is due to the Comptroller's interpretation of the law under which he operates, and he has interpreted "affirmative action to correct conditions resulting" from the Directors' violation of 12 USC 84 to cover an award of attorneys' fees.

Conclusion

The Comptroller's decision and final order to cease and desist are affirmed. Substantial evidence supported the Comptroller's finding that the three loans could be aggregated as loans to a single business. Therefore, the Comptroller, in fashioning a remedy aimed within the scope of his authority to correct conditions resulting from the Directors' violation of the banking laws,

Security Pacific

Decision of the Comptroller of the Currency on the Application by Security Pacific National Bank to Establish an Operating Subsidiary to Be Known as Security Pacific Discount Brokerage Services, Inc.

August 26, 1982

Background

Security Pacific National Bank (Security Pacific), Los Angeles, Calif., proposes to establish an operating subsidiary to be named Security Pacific Discount Brokerage Services, Inc. (Discount Brokerage). The subsidiary will engage, solely as agent on behalf of its customers, in the purchase and sale of all types of securities. It will also provide margin loans to customers and pay interest on credit balances in customer accounts in accordance with applicable requirements. These services will initially be offered to the public throughout the State of California at authorized branch offices. However, Discount Brokerage intends ultimately to offer these services at non-branch locations inside and outside California. It also intends ultimately to make these services available to the customers of other financial institutions that will act as introducing brokers. Certain incidental operations, such as maintaining record custody of customer's securities and clearing and settlement of transactions, may be performed at an office outside California.

Discount Brokerage will be a registered broker-dealer under the Securities Exchange of 1934, registering first with the Securities and Exchange Commission and later with the National Association of Securities Dealers. It will also register with the California Department of Corporations and, to the extent required, other state securities commissions. Discount Brokerage may also seek membership on one or more national securities exchanges.

Applicability of the Glass-Steagall Act

A reading of the provisions of the Banking Act of 1933 commonly referred to as the Glass-Steagall Act—i.e., Sections 16, 20, 21, and 32—and of the relevant legislative history and judicial decisions makes it clear that only certain specified securities activities are prohibited to banks. Specifically, Section 16 of the Act, codified in 12 USC 24 (Seventh), states that national banks may not, with various exceptions not relevant here, "underwrite any issue of securities or stock." The Section, however, further delineates permissible and impermissible activities in stating that the "business of dealing in securities and stock by the [national banking] association shall be limited to purchasing and selling such securities and stock without recourse, solely upon the order, and for the account of, customers, and in no case for its own account." Thus, on its face, the Glass-Steagall Act permits those securities purchases and sales for customers in which the bank acts in the capacity of agent (i.e., brokerage transactions), while generally pro-

hibiting purchases and sales by banks acting as principal. This constitutes clear authorization for banks and, hence, their operating subsidiaries (see 12 CFR 7.7376) to engage in the activities contemplated for Discount Brokerage.

Certain early opinions of this Office imposed limitations upon the securities brokerage activities of national banks. As early as 1936, the Office expressed the opinion that national banks could purchase and sell securities only for existing customers of the bank and had to receive prior payment or have assets of the customer on hand to cover the transaction. Transactions were to be undertaken solely as an accommodation to the existing customers, and compensation was limited to the fair cost of handling the transaction. 1 *Bull. of the Comptroller of the Currency*, No. 2, at 2-3 (Oct. 26, 1936). These views were codified in Paragraph 220 of the Comptroller's first *Digest of Opinions* in 1948, although the compensation provision was relaxed slightly. It was relaxed further in Paragraph 220A of the 1957 edition of the *Digest of Opinions*. In 1963, when the *Digest of Opinions* was superseded by the *Comptroller's Manual for National Banks*, all the provisions limiting the securities brokerage activities of national banks were deleted entirely.

The Office's early restrictive views are explained in a 1974 letter by Comptroller James E. Smith as reflecting "the great caution of banking regulations in the years immediately following the 1931-2 debacle." Letter to G. Duane Vieth (June 10, 1974). The letter went on to state that the early interpretations contained restrictions not imposed by the statute and accordingly were currently viewed to be erroneous. The letter enunciated this position in permitting national banks to offer Automatic Investment Service (AIS) programs to customers. Under AIS programs banks would provide lists of corporations to their customers and then periodically purchase for them shares of stock of the companies selected by the customers from the list, paying for the securities by debiting the customers' checking accounts. The brokerage services thus offered AIS customers are functionally equivalent to, albeit somewhat more narrow in scope than, the services Security Pacific proposes to offer to Discount Brokerage customers. As in the case of an AIS program, as discussed in detail in the 1974 letter, the services covered by this application are clearly authorized by the language of Section 16 of the Glass-Steagall Act and do not contravene the purposes of the Act, either by subjecting banks to material risks or by placing them in situations with unacceptable conflicts of interest deriving from the promotional pressures facing them. See *Investment Company Institute v. Camp*, 401 U.S. 617, 631-38 (1971).

The rejection of the restrictive position reflected in the Office's early opinions has found support in the courts. In *New York Stock Exchange, Inc. v. Smith*, 404 F. Supp. 1091 (D.D.C. 1975), *vacated on other grounds sub nom New York Stock Exchange v. Bloom*, 562 F.2d 736 (D.C. Cir. 1977), *cert. denied*, 435 U.S. 942 (1978), the court upheld the broader position adopted in the 1974 AIS letter. Specifically citing the argument made in the 1974 AIS letter that the early opinions "embodied an over-cautious approach to bank regulation reflecting the

atmosphere [sic] of the years immediately after the 1929 market crash rather than the legislative history of the act," the Court went on to endorse AIS programs as falling within the statutory authorization of Section 16 of the Act and not presenting any of the risks discussed in the Act's legislative history or the judicial elaboration of it. *New York Stock Exchange, Inc. v. Smith, supra.* at 1097-1100.

Various statements by the Supreme Court in cases addressing Glass-Steagall Act issues suggest that the express language of the Act is the primary factor in any analysis and that securities brokerage activities by banks are not proscribed by the Act. In *Investment Company Institute v. Camp*, 401 U.S. 617 (1971), the Court analyzed a bank's participation in the organization, distribution, and marketing of shares of an investment company consisting of commingled managing agency account assets held by the bank as fiduciary. The Court found the bank's participation to clearly contravene the express language of Section 16 of the Act and to further subject the bank to the risks and conflicts Congress sought to obviate by the Act. Accordingly, the Court found the bank's program to be in violation of the Act. The Court was careful, however, to distinguish this prohibited activity from permissible activities, including purchases as agent for customers of securities. *Id.* at 623 n.10, 624-25.

The same type of statutory analysis was used by the Court in *Board of Governors of the Federal Reserve System v. Investment Company Institute*, 450 U.S. 46 (1981). That case upheld a ruling of the Federal Reserve Board (FRB) that serving as investment adviser to an open-end investment company and organizing and sponsoring, subject to certain limitations, a closed-end investment company were closely related to banking and could legally be undertaken by bank holding companies and their nonbank subsidiaries. The Court could find no prohibition of this conduct in the various provisions of the Glass-Steagall Act and accordingly rejected arguments based solely on broad statements of the policies embodied in the Act. The Court described the analysis employed in *Investment Company Institute v. Camp, supra.* as relying "squarely on the literal language of Sections 16 and 21 of the Glass-Steagall Act." 450 U.S. at 65. The Court went on to explain that the analysis of the risks presented in the earlier case was necessary only to respond to arguments on behalf of the bank that despite the literal prohibition on the conduct then at issue it was not the intent of Congress to prohibit it. 450 U.S. at 66. The Court also reiterated its earlier views that purchases of securities by banks acting as agent for their customers are specifically authorized by the Glass-Steagall Act. 450 U.S. at 55-56 n.18.

There is language in the legislative history of the Glass-Steagall Act to the effect that national banks were to be authorized by Section 16 to engage in securities brokerage transactions "to the same extent as heretofore." This language appears only to have meant generally that the ability of national banks to engage in brokerage transactions was to be subject to no additional constraints after the enactment of the Glass-Steagall Act beyond those applicable before its enactment. This analysis appears to have been adopted by

the Court in *New York Stock Exchange, Inc. v. Smith* 404 F. Supp. 1091, 1098. Noting that there was considerable evidence that prior to 1933 banks did engage in brokerage transactions, the court concluded that even if the AIS programs under consideration were viewed as a more extensive involvement by banks in the brokerage business than existed prior to 1933, they nonetheless were not prohibited by the statutory language or the legislative history if they did not give rise to risks materially different from those normally associated with brokerage transactions. In view of the significant changes that have taken place since 1933 in the nature and delivery of brokerage services, this approach seems particularly appropriate.

The same argument concerning the "heretofore" language applies to the incidental activities that Security Pacific intends to perform through Discount Brokerage. That is, such functions as maintaining custody of securities for customers and clearing and settling their securities transactions, even in the absence of evidence that banks provided those services prior to 1933, do not exceed the statutory authorization in Section 16 of the Glass-Steagall Act so long as Discount Brokerage maintains its agency status in the transactions. Since these activities do not involve Discount Brokerage's taking any position in securities and do not create any promotional pressures by associating Discount Brokerage's name or financial prospects (or Security Pacific's) with that of any securities issuer, they do not appear to give rise to any of the risks the Act sought to activities are regularly performed by national banks, without any explicit statutory authorization beyond the incidental powers language of 12 USC 24 (Seventh), in connection with the U.S. government and municipal securities dealer activities authorized in that Section.

The "heretofore" language in the legislative history could also be cited in connection with Security Pacific's intention to seek membership on national securities exchanges for Discount Brokerage. Because of certain rules of at least the New York Stock Exchange (NYSE) prior to 1933, direct stock exchange membership by a national bank would have been impossible then. However, the large commercial banks clearly did have their representatives on the floor of the exchanges. See, e.g., Sobel, *NYSE* 13-14 (1975). Further, various private bankers were members of the exchanges prior to the passage of the Glass-Steagall Act and at least one such company has maintained continuous NYSE membership since before the passage of the Act. In this regard, the NYSE proposed to adopt new Rule 310 in 1976 that would have prohibited a commercial bank not then a member of the NYSE from becoming such a member. The Glass-Steagall Act was cited by the NYSE as one reason for proposing the rule. In rejecting this rule, the Securities and Exchange Commission expressed skepticism about permitting existing bank members of the NYSE to retain their membership while prohibiting additional banks from joining, since Section 21 of the Glass-Steagall Act (12 USC 378) does not contain a grandfathering exception. The Commission concluded, quite properly, that the NYSE's position was subject to substantial doubt and, in any event, that resolution of the

issue should be left to the federal banking agencies or the courts. See Securities Exchange Act Release No. 12737 (Aug. 25, 1976).

Whatever the pre-1933 history reveals with respect to exchange membership, however, should not be determinative of whether national banks may now be such members. The relevant concern is whether national banks as exchange members can conform their functional participation in securities transactions to the agency role permitted in Section 16 of the Glass-Steagall Act. Since acting solely in an agency capacity is possible, see, e.g., NYSE Rule 91, and is the stated intention of Security Pacific for Discount Brokerage, exchange membership will not create any risks inconsistent with the brokerage role envisioned in the Act as permissible for national banks.

An additional Glass-Steagall Act issue arises when a bank chooses to conduct securities brokerage operations through an operating subsidiary. Section 20 of the Act, 12 USC 377, prohibits affiliations between member banks, including all national banks, and companies "engaged principally in the issue, flotation, underwriting, public sale, or distribution at wholesale or retail or through syndicate participation of stocks, bonds, debentures, notes, or other securities." Early on, the Supreme Court interpreted the identical list of restricted functions in Section 32 of the Glass-Steagall Act, 12 USC 78, not to include securities brokerage activities of a company. *Board of Governors of the Federal Reserve System v. Agnew*, 329 U.S. 441, 445-49 (1947). Such an interpretation seems appropriate and is, of course, entirely consistent with the view that Congress was trying to eliminate only certain risks, not including those associated with securities brokerage activities, from the commercial banking system.

Accordingly, the activities proposed by Security Pacific for Discount Brokerage are within the corporate powers of national banks and their operating subsidiaries and are not limited by the Glass-Steagall Act.

McFadden Act

Security Pacific's application indicates that it intends to offer Discount Brokerage's services through offices that are not bank branches or the bank's main headquarters, as well as through chartered offices. It is, of course, an element of our approval of the application that the geographic limitations effectively imposed by the National Bank Act's branching provisions, commonly referred to as the McFadden Act, not be violated. 12 USC 36. "Branch" is statutorily defined to include "any branch bank, branch office, branch agency, additional office or any branch place of business . . . at which deposits are received, or checks paid, or money lent." 12 USC 36(f). Security Pacific's legal memoran-

* Section 21 of the Glass-Steagall Act prohibits any person engaged in the issuing, underwriting, selling, or distributing of securities from also engaging in the business of receiving deposits. The Section expressly states, however, that activities authorized by Section 16 of the Glass-Steagall Act are not prohibited for depository institutions, including private bankers.

dum, submitted as part of the application, expresses the opinion that the non-chartered offices at which Discount Brokerage will offer its services will not constitute branches under the McFadden Act because none of the statutory branching functions will be performed there.

Lending Money

Regarding the lending of money, the application states that Discount Brokerage will not make margin loans at non-branch offices. Such offices will be limited to the performance of tasks associated with loan origination within parameters analogous to those authorized by the Comptroller's Interpretive Ruling 7.7380 (12 CFR 7.7380). Interpretive Ruling 7.7380 authorizes the

[o]rigination of loans by employees or agents of a national bank or of a subsidiary corporation at locations other than the main office or a branch office . . . [p]rovided, [t]hat the loans are approved and made at the main office or a branch office of the bank or at an office of the subsidiary located on the premises of, or contiguous to, the main office or branch office of the bank.

12 CFR 7.7380(b)

The Comptroller has identified certain loan solicitation and origination activities that clearly may be performed by loan production offices within the scope of the Interpretive Ruling. These include:

- 1) solicitation of loan business, including by means of advertisements disclosing the nature and limitations of the [loan production office];
- 2) providing information as to loan rates and terms;
- 3) interviewing and counseling applicants regarding loans (only), including the provision of disclosures required by regulations;
- 4) aiding customers in the completion of loan applications.

See, e.g., Letter from John G. Heimann, Comptroller of the Currency, to Exchange National Bank & Trust Company of Atchison, Atchison, Kansas (Jan. 31, 1979).**

Security Pacific's legal memorandum indicates that Discount Brokerage offices at non-branch locations will interview and counsel customers on loan rates and terms and aid customers in the completion of margin loan applications. Loan applications will then be transmitted to a chartered office at which they will be processed and at which any credit will be extended. The performance of these and other solicitation and origination activities, analogous to those outlined above, at non-branch Discount Brokerage offices in connection with the extension of margin credit at chartered offices would not, in our opinion, constitute lending money within the meaning of the McFadden Act

Receiving Deposits

In addition to margin lending, Discount Brokerage will also maintain, and pay interest on, customer credit balances arising incidentally to its brokerage business including (1) funds awaiting investment, (2) interest or dividends received on a customer's securities held in "street" name and (3) proceeds from securities sold by the broker awaiting reinvestment or other instructions from the customer. Security Pacific takes the position that these credit balances are not deposits and, therefore, that Discount Brokerage will not be receiving deposits within the meaning of the McFadden Act.

Credit balances arising incidentally to brokerage activities may be distinguished, as correctly noted in Security Pacific's legal memorandum, on certain functional and legal grounds from bank deposits. Bank deposits are generally funds placed with a depository institution for the primary purpose of safekeeping, earning a return in the form of interest, or facilitating payments to third parties. They may be withdrawn at the discretion of the depositor under the terms and conditions of the account. The receipt of deposits is a principal function of banks, which publicly solicit deposits to provide funds to be used in the banks' lending business. Credit balances maintained by brokers, on the other hand, arise in connection with securities transactions of customers and, as such, are not directly solicited from the public. Indeed, the Securities Investor Protection Act, 15 USC 78aaa *et seq.*, operates to restrict the advertising, promotional and selling practices of brokers regarding interest-bearing free credit balances. See Securities Exchange Act Release No. 18262 (Nov. 17, 1981). Further, there are specific regulatory restrictions regarding the use of credit balances by brokers. 17 CFR 240.15c3-2.

It should be noted, too, that securities firms regularly maintain and pay interest on customer credit balances, apparently in the belief that this practice does not violate the prohibition in Section 21 of the Glass-Steagall Act against the receipt of deposits by such firms. 12 USC 378(a)(1). The prevalence of this practice argues against the characterization of customer credit balances as deposits generally.

Security Pacific also points to the non-deposit treatment of credit balances by the FRB in connection with balances maintained by "agencies" under the International Banking Act of 1978, 12 USC 3101 *et seq.*, and by investment companies chartered under Article XII of the New York Banking Law. The value of these examples, which have been drawn from the specialized context of international finance, is, however, clouded by the inclusion of "credit balances" within the definition of "deposits" in FRB Regulation D, 12 CFR 204.2(a)(1)(vi). Even assuming that credit balances are treated as deposits for the narrow monetary control purposes of Regulation D, however, it should be recognized that the meaning of deposit may be different in other regulatory or statutory contexts, such as under the McFadden Act. Based on all of the foregoing considerations, it is our opinion that credit balances arising in connection with securities brokerage transactions are not deposits within the meaning of the McFadden Act.

** In *Independent Bankers Association of America v. Heimann*, 627 F.2d 486, 488 n.22 (D.C. Cir. 1980) (*IBAA v. Heimann*), the court expressed general agreement with the non-branch status of loan production offices engaging in the limited array of functions set out in the letter.

Non-enumerated Functions

It is further possible that Discount Brokerage offices could be found by a court to be branches within the meaning of the McFadden Act even in the absence of a finding that they receive deposits, pay checks or lend money. In *St. Louis County National Bank v. Mercantile Trust Company National Association*, 548 F.2d 716 (8th Cir.), cert. denied, 433 U.S. 909 (1977) (*St. Louis County*), a trust office operated by a national bank, which conducted a substantial amount of trust business at its main office, was held to be a branch, even though no deposits were received, checks paid or money lent at such office.

In the view of the Eighth Circuit, at least, the transaction with the public of certain business routinely carried on at the bank's main office constitutes branch banking activity for McFadden Act purposes. This Office finds the approach taken by the court in *St. Louis County* an overly broad reading of the statute, and we believe that the court's holding should at the very least be limited to those dealings with the public requiring a specialized banking or similar license. In any event, finding that securities brokerage activity constitutes a branch banking function would appear particularly inappropriate in view of the number of banks currently operating U.S. government or municipal securities dealer offices that transact business with the public at non-branch locations on both an intra-state and interstate basis.

The application states the intention that an operations department, perhaps located outside California, will maintain record custody of securities held in accounts and be responsible for clearing and settlement of transactions, although initially a clearing broker may be employed to carry on some of these activities. A number of banks currently operate similar non-branch facilities to carry out these ministerial tasks relating to their municipal and government securities dealing and underwriting activities. Since the McFadden Act issue would be the same in the case of the Discount Brokerage operations department, the long-standing and widespread nature of the practice of bank municipal and government securities dealers is obviously relevant. It is, therefore, our opinion that ministerial functions not involving direct dealing with the public, such as the maintenance of record custody and the clearing and settlement of transactions, do not constitute branching functions either as enumerated in Section 36(f) or even under the expansive *St. Louis County* approach. Cf. *Independent Bankers Association of America v. Smith*, 534 F.2d 921, 936 (D.C. Cir. 1976) (no competitive advantage in dealing with public can arise from these ministerial services).

Location Where Services Are Provided

It is of course an element of our approval of the

application that all essential branch banking functions performed in connection with Discount Brokerage's operations be performed at chartered offices. In our opinion, the activities of Discount Brokerage, viewed individually or collectively (with the exception to the making of margin loans, treated separately above), should reasonably be found not to constitute branch banking for purposes of the McFadden Act.

FRB Regulations D and Q

It is also an element of approval of the application that Discount Brokerage and Security Pacific comply with FRB Regulation D, 12 CFR Part 204, and FRB Regulation Q, 12 CFR 217. Security Pacific states in its legal memorandum that Regulations D and Q are not applicable because credit balances arising in the course of a brokerage business are not deposits within the meaning of those regulations. As pointed out earlier, however, Regulation D seemingly defines "deposits" to include "credit balances," 12 CFR 204.2(a)(1)(vi). And even though Discount Brokerage would not appear to be a "depository institution," as defined in 12 CFR 204.2(m)(1)(i), its "obligations" may be treated as "obligations" of Security Pacific ("parent depository institution") under 12 CFR 204.3(a) ("Computation and maintenance").

This Office recommends that Security Pacific should accordingly consult the FRB concerning the applicability of Regulations D and Q to this matter.

Federal Deposit Insurance

It is a further element of approval of the application that Discount Brokerage comply with all applicable provisions of the Federal Deposit Insurance Act, 12 USC 1811 *et seq.* Security Pacific states in the application that Discount Brokerage will apply for membership in Securities Investor Protection Corporation ("SIPC") so that customers' cash and securities held by Discount Brokerage will be protected by SIPC insurance coverage, and that cash held by Discount Brokerage will not be insured by the Federal Deposit Insurance Corporation ("FDIC"). As in the matter of the applicability of FRB Regulations D and Q, this Office recommends that Security Pacific consult the FDIC in this regard.

Conclusion

This Office has carefully considered the legality of the activities proposed by Security Pacific for Discount Brokerage. For the reasons presented above, we believe these activities are legally permissible. Based on this legal analysis and our consideration of other relevant information presented by Security Pacific, the application is approved this day.

Citibank, N.A. Application to Establish Common Trust Funds

Decision of the Comptroller of the Currency on the Application by Citibank, N.A., Pursuant to 12 CFR 9.18(c)(5) to Establish Common Trust Funds for the Collective Investment of Individual Retirement Account Trusts Exempt from Taxation Under Section 408 of the Internal Revenue Code of 1954

Background

Citibank, N.A., (Bank) proposes to establish common trust funds for the collective investment of individual retirement account trusts (IRA trusts) which are exempt from taxation under Section 408 of the Internal Revenue Code of 1954 (IRC). The Bank would act as trustee of the individual IRAs and, as trustee, would be directed to invest the IRA trust assets in a common trust fund or funds maintained by the Bank. It intends to register the funds with the Securities and Exchange Commission (SEC) under the Investment Company Act of 1940 (Investment Company Act) and to register the offering of interests in the funds under the Securities Act of 1933 (Securities Act). The Bank would, as trustee, perform the functions of investment adviser, administrator, custodian and transfer agent of the funds pursuant to an agreement with them and comply with all applicable provisions of the Securities Act and the Investment Company Act. It is because some requirements of these laws might arguably conflict with certain provisions of 12 CFR 9.18(b) generally applicable to bank collective investment funds that the Bank is requesting that the Office, pursuant to 12 CFR 9.18(c)(5), waive the applicability of the provisions of 12 CFR 9.18(b) to the extent necessary to permit compliance with the Securities Act and the Investment Company Act.

Power of National Bank to Collectively Invest IRA Trust Assets

The regulations of this Office relating to the collective investment of trust funds, 12 CFR 9.18, permit IRA trust assets to be collectively invested by national banks acting as fiduciaries. The regulations generally establish two situations in which it is permissible to collectively invest funds: (i) under 12 CFR 9.18(a)(1), a bank acting as trustee or in a similar fiduciary capacity may invest the funds held in that capacity in a common trust fund; and (ii) under 12 CFR 9.18(a)(2), a bank as fiduciary may invest in a fund consisting solely of assets of retirement or similar trusts exempt from federal income taxation. Retirement fund assets are not precluded from investment in a common trust fund. 12 CFR 9.18(b)(2). As discussed below, it is readily apparent that a national bank receiving IRA trust assets does so in the capacity of trustee; it is also obvious that IRA trusts are retirement plans exempt from federal income tax. Thus, IRA trust assets may, pursuant to the Comptroller's regulations, be commingled in either a 9.18(a)(1) or 9.18(a)(2) fund

The power of a national bank acting as trustee for IRA trusts to commingle the trust assets was confirmed in the Employee Retirement Income Security Act of 1974 (ERISA) and in its legislative history. It was ERISA that essentially created the concept of IRAs by providing special tax treatment for retirement trusts established by persons not covered by employer-sponsored qualified retirement plans.

The term "individual retirement account" is defined as "a trust created or organized in the United States for the exclusive benefit of an individual or his beneficiaries" pursuant to a "written governing instrument" meeting certain requirements. IRC 408(a). (Custodial and annuity accounts are covered by special provisions not relevant here.) One of the requirements is that the trustee be a bank or some other party able to demonstrate to the satisfaction of the Secretary of the Treasury its ability to meet similar fiduciary standards. IRC 408(a)(2). Another requirement is that the assets not be permitted to be commingled "except in a common trust fund or common investment fund." IRC 408(a)(5). The power to further commingle the assets of IRA trusts in a fund containing assets of plans exempt from taxation under IRC 401(a) is conferred by IRC 408(e)(6).

The House Report clearly indicates the Congressional understanding about the nature of IRA trusts.

[A]n individual retirement account generally is to be a *domestic trust* created or organized by a written instrument for the exclusive benefit of an individual or his beneficiaries The balance in an individual retirement account generally may be invested in any assets that are acceptable investments for a qualified plan. . . . However, account assets generally are not to be commingled with other property except *in a common trust fund*. . . . Under the governing instrument, *the trustee of an individual retirement account generally is to be a bank*.

H. R. Rep. No. 93-807, 93d Cong., 2d Sess. (1974), reprinted in [1974] U.S. Code Cong. & Ad. News 4797-98 (emphasis added). While the House bill was not the version ultimately adopted, its provisions relating to individual retirement accounts were not materially altered in the final version. Thus, the Conference Report notes:

Under the conference substitute, the assets of an individual retirement account *may be invested in a trusteeship or custodial account with a bank*, savings and loan, or credit union, or in an annuity or in a qualified retirement bond [T]he assets of an individual retirement account may not be commingled with other property, except *in a common trust fund*. . . . [T]his legislation . . . is not to limit in any way the application of the Federal securities laws to individual retirement accounts or *the application to them of the laws relating to common trusts* or investment funds maintained by any institution.

H. Conf. Rep. No. 93-1280, 93d Cong., 2d Sess. (1974), reprinted in [1974] U.S. Code Cong. & Ad. News

51 to 17 (emphasis added). The Conference Report did expand the investment choices available to persons establishing individual retirement accounts by permitting the use of custodial accounts, annuity contracts, and qualified bonds. But what is significant here is that it continued the authorization for the use of trust accounts with bank trustees authorized to commingle the funds in common trust funds subject to all laws generally applicable to common trust funds.

Accordingly, the overwhelming conclusion to be drawn from ERISA and its legislative history is that Congress believed it to be within the power of banks to serve as trustees for IRA trusts and to collectively invest the assets of these trusts in common trust funds or in collective investment funds for retirement plan assets.

Glass-Steagall Act Consideration

Having determined that collectively investing the assets of IRA trusts is a permissible trust service sanctioned by statute and the Comptroller's regulations, it is necessary to determine whether Sections 16, 20, 21 or 32 of the Banking Act of 1933 (12 USC 24(Seventh), 377, 378 and 78, respectively) (commonly referred to collectively as the Glass-Steagall Act) impose any impediment to a bank offering these fiduciary services.

We have concluded that there is no Glass-Steagall Act impediment to a bank collectively investing IRA trust assets. Among other things, the decision of the Supreme Court in *Investment Company Institute v. Camp*, 401 U.S. 617 (1971) (*ICI v. Camp*) supports the conclusion that the prohibitions of the Glass-Steagall Act do not apply to a bank's collectively investing IRA trust assets in the manner proposed here. As discussed below, *ICI v. Camp* recognized that banks have traditionally commingled trust assets, thereby distinguishing the offering of such fiduciary services from the commingled agency account in that case. Furthermore, the fiduciary services being considered here do not present the hazards and potential abuses which Congress sought to avoid when it enacted the Glass-Steagall Act.

In *ICI v. Camp*, the Supreme Court held that the marketing and sale of securities representing interests in collectively invested assets held by a national bank in managing agency accounts violated the Glass-Steagall Act. Certain general similarities may be seen between the fund in that case and the proposed collective investment of IRA trust assets considered here. In particular, the plan in each instance involves a fund which would be registered under the Investment Company Act and interests in such fund which would be registered as securities under the Securities Act. In addition, each plan involves the collective investment of participants' assets in a fund maintained for the benefit of the participants, as opposed to third-party beneficiaries. But the similarities end there.

The differences between the two plans are highly significant in terms of analysis of the applicability of the Glass-Steagall Act. The most significant difference is that the commingling of managing agency accounts discussed in *ICI v. Camp* did not involve the receipt by the bank of assets in trust. Rather, the assets were received in a managing agency capacity. 401 U.S. at 622

n.8 The Court noted that serving as a managing agent was a legitimate fiduciary function for bank trust departments but went on to find that the collective investment of the assets of those accounts, when marketed to the general public as investment vehicles registered pursuant to the federal securities laws, violated the prohibitions in Sections 16 and 21 of the Glass-Steagall Act, relating to underwriting, issuing, selling and distributing securities. In its discussion, however, the Court noted that "[f]or at least a generation . . . there has been no reason to doubt that a national bank can, consistently with the banking laws, commingle trust funds." 401 U.S. at 624. Since the IRA assets in the present case will be received by the Bank as trustee, in both a common-law sense and within the meaning of ERISA, the collective investment of IRA trust assets (and marketing of such fiduciary services to the extent allowable under applicable laws and regulations) is clearly sanctioned by the statement of the Court in *ICI v. Camp*.

The analysis under the Glass-Steagall Act requires further consideration in this case, however, in light of the fact that the IRA trusts (and participations in the fund) will be offered as "securities" registered pursuant to the Securities Act. The Court's conclusion in *ICI v. Camp* was that the issuance and sale of securities by a bank violated the Glass-Steagall Act where the securities represented a nontraditional banking service and where, in the Court's view, certain potential abuses that Congress sought to avoid by the enactment of the Glass-Steagall Act were present. This Office has viewed the meaning of the term "securities" under the securities laws as not necessarily synonymous with its meaning under the Glass-Steagall Act. In particular, when, as in the present case, the "securities" merely represent the formal manifestation of a traditional banking service, it is the Office's opinion that the prohibitions of the Glass-Steagall Act are not applicable. Nevertheless, since the Bank's fiduciary service will be offered in this manner, it may be appropriate to assess the transaction in terms of the hazards and potential abuses identified by the Court in *ICI v. Camp*.

The Court indicated that Congress was concerned primarily with promotional pressures and certain attendant hazards and potential abuses arising from the investment banking business. In particular, these abuses involved (1) identification in the public's mind of the bank's reputation with that of a securities firm, with possible erosion of public confidence in the bank if the securities firm fared badly; (2) the temptation to support the securities firm with unsound loans; (3) the temptation to make improvident loans to securities issuers in whose securities the bank or its securities affiliate had invested; (4) the temptation to make loans to customers to purchase securities of issuers whose securities the bank or its affiliate was underwriting, and (5) the interference by the bank's securities business with its ability to provide disinterested investment advice. 401 U.S. at 630-33. Each of the enumerated potential abuses is nonexistent or negligible in the context of commingled IRA trusts.

For example, the Bank's reputation could conceivably be affected in some measure by the performance of its IRA trust fund, but in view of the absence of any current

adverse effects on the reputation of banks arising from their significant involvement in the collective investment of pension fund assets, it is difficult to treat this as a real concern. The concerns relating to pressures to make improvident loans are similarly misplaced. The Bank would be barred by IRC 4975 from lending to the trust. And in light of the annual contributions limitations for investment in IRA trusts, it is unlikely that the Bank would be lending to the fund participants for this purpose. Finally, in the case of a highly diversified fund, it seems implausible that the Bank would be tempted to lend to any issuer whose securities are held by the fund merely to support the fund. The insulation of the trust department from confidential information obtained in the commercial lending business further reduces the likelihood of this hazard. *Cf.* 12 CFR 9.7(d). And with regard to providing investment advice, the same rationale concerning diversification of investment makes it implausible that the Bank would be tempted to render anything but disinterested advice. In any event, the potential for conflicts of interest and other abuses cited in *ICI v. Camp* are not any more present when a bank administers collectively invested IRA trust assets than when a bank engages in its customary fiduciary functions. Accordingly, because the potential for abuse is nonexistent or negligible here, and because this is essentially a traditional banking service, it would be inappropriate to conclude that there is any security here for purposes of the Glass-Steagall Act.

Considerations Relating to the Federal Securities Laws

A review of the current treatment accorded collectively invested IRA trust assets under the federal securities laws is instructive, particularly where, as apparently is the case here, a bank, in an abundance of caution, elects registration under the Investment Company Act and the Securities Act rather than pursuing exemptions which are available to bank common trust funds and collective investment funds for tax-exempt pension plans, as well as the interests in such funds. Among other things, it underscores the essential similarities between collectively invested IRA trust assets and traditional banking services exempt under those Acts.

The SEC has, in a series of interpretive letters, generally maintained that no exemption from registration under the Securities Act and the Investment Company Act is available where a bank seeks to collectively invest IRA trust assets as proposed here. See *Continental Bank of Norristown, Pa.* (pub. avail. Sep. 2, 1982); *United Missouri Bank of Kansas City, N.A.* (pub. avail. Dec. 31, 1981); *Owensboro National Bank* (pub. avail. July 29, 1981); *Citytrust* (pub. avail. Mar. 9, 1980); *The Millikin National Bank of Decatur* (pub. avail. April 1, 1979); *Continental Illinois National Bank and Trust Co. of Chicago* (pub. avail. April 28, 1975). See *also*, SEC Release No. 33-6188 (Feb. 1, 1980). This position has been asserted despite two exemptions under each Act that arguably should apply: the exemption for common trust funds maintained by banks and the exemption for

collective investment funds for certain tax-exempt pension plans: 15 USC 77c(a)(2), 15 USC 80a-3(c)(3) and (11). Because of the SEC's unwavering position in this regard, the Bank has determined that it should register its fund and the participating IRA trusts under the securities laws.

With respect to the common trust fund exemption, the SEC has steadfastly maintained that it is available only for participation in funds maintained by a bank for "bona fide fiduciary purposes." The SEC contrasts with this the notion of public investment vehicles. For support, the SEC cites the legislative history of the Investment Company Act Amendments of 1970 (1970 Amendments) in which both houses of Congress stated that the exemption applies to "traditional common trust funds maintained by banks as investment vehicles for the assets held by the bank in a bona fide fiduciary capacity [I]t would not exempt interests or participations in bank funds maintained as vehicles for direct investment by individual members of the public." H.R. Rep. No. 1382, 91st Cong., 2nd Sess. 43 (1970), S. Rep. No. 184, 91st Cong., 1st Sess. 27 (1969). The problem with the SEC's reliance here is twofold. First, as discussed above, the Bank is accepting IRA trusts in a traditional, bona fide fiduciary capacity—*i.e.*, as trustee. Second, the fund is not a vehicle maintained for "direct investment" by the public but is, instead, an investment vehicle for the Bank as trustee of IRA trusts, precisely the thing contemplated as exempt in the reports cited above. *Cf. International Brotherhood of Teamsters v. Daniel*, 439 U.S. 551, 565 (1979).

The *bona fides* of the fiduciary relationship can easily be seen from the purpose of establishing or augmenting an IRA trust. The participant is not seeking short-term investment profit but, instead, is seeking preservation and management of assets that will be available only to the participant when the participant reaches age 59½, or to the participant's beneficiaries in the event of death, unless the participant is willing to incur substantial tax penalties. Further, the participant's interest in the IRA trust or the investment fund is not transferable except by death.

The other exemption often cited in this context covers certain tax-exempt pension interests. The SEC has repeatedly denied the availability of this exemption on the grounds that it applies to interests in funds for pension plans exempt from taxation under IRC 401, whereas IRA trusts are exempt from taxation under IRC 408, an assertion that clearly is true on the face of the statute. In this regard the SEC cites the legislative history of ERISA referred to above and certain language in a 1975 Study Outline prepared by a Senate subcommittee. The legislative history of ERISA does include the statement that the "legislation . . . is not to limit in any way the application of the Federal securities laws to individual retirement accounts," but there is no indication that the conference committee meant this to include the registration requirements of the Securities Act or the Investment Company Act. Rather, the conference committee could have intended only that the antifraud provisions of the securities laws would be applicable or, more likely, that they were not expressing any view as to the applicability of the securities laws. Yet another interpretation could

be that the committee intended the securities laws to be applicable if the pension fund or common trust fund exemption was not available — i.e., if the trustee was not a bank. In any event, the rather cryptic sentence is capable of multiple interpretations that would not preclude the availability of the various exemptions.

A more direct statement cited by the SEC is contained in a 1975 Study Outline on The Securities Activities of Commercial Banks prepared by the Subcommittee on Securities of the Senate Banking, Housing and Urban Affairs Committee. The Outline, at 13, notes that “because IRA’s are not trusts described in Section 401 of the Code, IRA’s and collective investment funds for IRA’s clearly are not exempt from registration under the Investment Company Act of 1940 and the Securities Act of 1933.” The statement does support the SEC’s view. However, it was not made in the context of any legislative action; it was not made contemporaneously with the passage of ERISA; it was not made by the Senate committee responsible for ERISA; it was not even made by a full Senate committee. What is more significant is that it was really only a tentative view expressed by the subcommittee, since in soliciting comments the Outline specifically had asked, among other things, “3. Are banks precluded from investing IRA assets in any collective fund unless it is registered under the Investment Company Act of 1940? Under the Securities Act of 1933?” *Id.* at 14.

Further, the subcommittee reprinted lengthy materials submitted by Messrs. Mayer, Brown & Platt as counsel to Continental Illinois National Bank and Trust Company of Chicago (Continental). The Continental materials are instructive in several respects. They contain counsel’s analysis of why the Section 401 plan exemption should be applicable and the SEC’s rejection of that argument. With regard to the Investment Company Act, counsel noted that the 1970 Amendments, providing an exemption for Section 401 plans, merely restated the SEC’s interpretive position that, even in the absence of specific statutory language, tax-exempt pension trusts were not required to be registered as investment companies. The 1970 legislation codified this prior to the creation of tax-exempt IRA trusts in 1974. The fact that Congress granted the tax exemption under new IRC 408 should not have altered the Investment Company Act exemption. A similar view of the scope of roughly comparable amendments in 1970 to the Securities Act of 1933 was enunciated by the Court in *International Brotherhood of Teamsters v. Daniel*, 439 U.S. 551, 564-65 (1979). The Section 401 plan exemption was created, in the Court’s view, so that pension plans purchasing excess amounts of employer securities “and only such plans” were required to be registered. 439 U.S. at 565 n.19 (emphasis added).

Continental also urged the notion that the fact that IRC 408 gave the tax exemption to IRA trusts was not a conscious decision on the part of Congress vis-a-vis the securities laws. Rather, it was a drafting technique related to other technical problems in ERISA. The Senate bill on ERISA would, in fact, have deemed IRAs to be IRC 401 plans for certain cited purposes, such as the excess tax provisions of IRC 4975, but would have exempted them from certain other cited provisions ap-

plicable to qualified pension plans, such as the funding rules. The House bill ultimately used as the vehicle for ERISA adopted a different drafting technique, putting IRAs in a separate new Code section and spelling out the rules applicable to IRA trusts in that section. The SEC found these and other reasons unpersuasive and refused to grant Continental a no-action position, relying instead on the “plain language” of the exemptions.

The requirement of registration of IRA trusts or collective investment funds for them was further called into doubt by the Supreme Court’s decision in the *Daniel* case referred to above. In that case the Court held that an employee’s interest in a noncontributory pension plan was not even a security for the purposes of the federal securities laws. Several subsequent cases have extended this view to contributory plans. See *Cunha v. Ward Foods, Inc.*, (D.Ha., June 21, 1982) (mandatory employee contributions); *O’Neil v. Marriott Corp.*, (D.Md. May 11, 1982) (voluntary employee contributions); *Tanuggi v. Grolier, Inc.*, 471 F. Supp. 1209 (S.D.N.Y. 1979) (mandatory employee contributions); *Newkirk v. General Electric Co.*, 20 F.E.P. Cases 1588 (N.D.Cal. 1979) (noncompulsory contributions by employees). The SEC apparently has not been persuaded by these lower court cases. See SEC Release No. 33-6188 (1980). The rationale in each case is that the protections of the securities laws are not needed nor on their face mandated for pension interests adequately safeguarded by other regulatory schemes. The same rationale would appear to apply here, although it is not a basis for our decision. For example, the Comptroller’s rules in 12 CFR 9, together with common law fiduciary principles, would appear to provide an adequate substitute for the securities laws in protecting participants’ interests. Further, the rules on prohibited transactions contained in ERISA apply to IRA trusts and funds for their collective investment. Finally, while the fiduciary standards of Title I of ERISA are not applicable to collective investment funds containing IRA trusts only, they would apply to collective investment funds for IRA and other retirement plan assets, a type of commingling expressly contemplated by the legislative history of ERISA.

The Bank’s Ruling Request

The Bank has requested, pursuant to 12 CFR 9.18(c)(5), a waiver of the applicability of those provisions of 12 CFR 9.18(b) that might be inconsistent with provisions of the Securities Act and the Investment Company Act. In particular, the only provision of 12 CFR 9.18 identified as creating a conflict is the requirement, in Section 9.18(b)(12), that the Bank maintain exclusive management of collective investment funds it administers. It is not clear that this provision of Section 9.18 will be violated, since, among other things, the Bank will serve at the outset as the investment adviser to the collective fund. Nevertheless, it could be argued that the Bank will not be in compliance with the “exclusive management” requirement because of requirements in the Investment Company Act that a majority of the board of committee of directors of the fund be independent and that the board and the participants have the

power to replace the investment adviser. Other provisions identified by Bank counsel, relating to fees, advertising, and evidence of ownership, do not create any apparent conflict

We note that the SEC, pursuant to Section 6(c) of the Investment Company Act, 15 USC 80a-6(c), may waive provisions of the Act, such as the independent board requirement of Section 10, 15 USC 80a-10, provided it is consistent with the investor protection provisions of the Act. The SEC has, in the past, granted limited waivers to banks from the provisions of Section 10. The Bank has indicated that it prefers not to seek similar waivers from the SEC in this instance based on communications with SEC staff indicating that, among other things, the waiver process could be protracted and, quite probably, would involve extended public hearings, and further based on the bank's marketing surveys indicating the importance

of offering its trust services to the public prior to year-end 1982

Conclusion

The Office has carefully considered the legality of the activities proposed by the Bank. For the reasons presented above, it is my opinion that the Bank may offer this fiduciary service, even if registration is effected under the Investment Company Act and the Securities Act. Accordingly, on the basis of this legal analysis and our consideration of other relevant information presented by the Bank, the application is approved this day.

C. T. Conover
Comptroller of the Currency
October 21, 1982

Merger Decisions—July 1 to September 30, 1982

I. Mergers consummated involving two or more operating banks

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The Liberty State Bank, Liberty Center, Ohio		August 16, 1982	
The Farmers & Merchants State & Savings Bank, Montpelier,		American National Bank, Bakersfield, Calif	
Ohio		Four Branches of The Bank of California, National	
Merger	58	Association, San Francisco, Calif	
July 16, 1982		Purchase	69
Ellis First National Bank of New Port Richey, New Port Richey,		August 16, 1982	
Fla		Virginia National Bank, Norfolk, Va	
Ellis Security Bank, New Port Richey, Fla		The Northern Virginia Bank, Springfield, Va	
Merger	58	First City Bank of Newport News, Newport News, Va	
July 24, 1982		Merger	70
The Washington Bank, Turnersville, N.J.		August 21, 1982	
The First Jersey National Bank Delaware Valley, Turnersville,		Exchange National Bank of Chicago, Chicago, Ill	
N.J.		Central National Bank of Chicago, Chicago, Ill	
Merger	59	Merger	71
July 31, 1982		August 23, 1982	
Shawmut County Bank, N.A., Cambridge, Mass		The First Jersey National Bank, Jersey City, N.J.	
Shawmut Melrose-Wakefield Bank and Trust Company,		Two Branches of First Peoples Bank of New Jersey, Haddon	
Wakefield, Mass		Township, N.J.	
Merger	59	Purchase	72
August 1, 1982		August 23, 1982	
Barnett Bank of Central Florida, National Association, Winter		The First Jersey National Bank South, Medford Lakes, N.J.	
Park, Fla		Five Branches of First Peoples Bank of New Jersey, Haddon	
Century Bank of Orange County, Apopka, Fla		Township, N.J.	
Merger	60	Purchase	73
August 1, 1982		August 27, 1982	
Deposit Guaranty National Bank, Jackson, Miss		Pan American Bank of Hialeah, National Association,	
Attala Bank of Kosciusko, Kosciusko, Miss		Hialeah, Fla	
Merger	61	Two Branches of Peoples American National Bank of North	
August 1, 1982		Miami, North Miami, Fla	
First Northwestern National Bank of Eveleth, Eveleth, Minn		Purchase	74
First Northwestern National Bank of Hoyt Lakes, Hoyt Lake,		August 27, 1982	
Minn		Pan American Bank, National Association, Miami, Fla	
Merger	62	One Branch of Peoples Downtown National Bank, Miami,	
August 2, 1982		Fla	
Bank One of Athens, N.A., Athens, Ohio		Purchase	75
The Citizens State Bank, Somerset, Ohio			
Merger	63		

	Page		Page
August 11, 1982		September 26, 1982	
Peoples American National Bank of North Miami, North Miami, Fla		Dominion National Bank of Greater Hampton Roads, Norfolk Va	
One Branch of Peoples Downtown National Bank, Miami, Fla		Southampton County Bank, Courtland Va	
Purchase	75	Bank of Smithfield, Smithfield Va	
August 31, 1982		Merger	78
The Citizens and Southern National Bank, Savannah, Ga		September 30, 1982	
The Citizens and Southern Bank of Colquitt County, Moultrie, Ga		The First National Bank of Atlanta, Atlanta, Ga	
Merger	75	Macon Bank & Trust Company, Macon, Ga	
September 16, 1982		Merger	79
Centra Bank of Oxford, Oxford, Ala		September 30, 1982	
First City National Bank of Oxford, Oxford, Ala		The First National Bank of Opp, Opp, Ala	
Consolidation	76	The Bank of Florala, Florala, Ala	
September 20, 1982		Merger	80
Society National Bank, Cleveland, Ohio		September 30, 1982	
The Second National Bank of Ravenna, Ravenna, Ohio		First National State Bank of South Jersey, Moorestown, N J	
Merger	77	First National State Bank of West Jersey, Burlington Township, N J	
September 24, 1982		Merger	80
The National State Bank, Elizabeth, N J			
Jersey Shore Bank, Long Branch, N J			
Purchase	78		

II. Mergers consummated involving a single operating bank

	Page		Page
July 1, 1982		July 28, 1982	
The Central National Bank of Sterling, Sterling, Ill		Buffalo Grove National Bank, Buffalo Grove, Ill	
Central Finance National Bank of Sterling, Sterling, Ill		Continental Illinois National Bank of Buffalo Grove, Buffalo Grove, Ill	
Merger	81	Merger	84
July 1, 1982		July 31, 1982	
First National Bank of Opelousas, Opelousas, La		The Charleston National Bank, Charleston, Ill	
First National Bank of St Landry Parish, Opelousas, La		First Charleston National Bank, Charleston, Ill	
Merger	81	Merger	84
July 1, 1982		July 31, 1982	
The Merchants National Bank of Topeka, Topeka, Kans		First Farmers and Merchants National Bank of Troy, Troy, Ala	
The Merchants Bank of Topeka, National Association, Topeka, Kans		First Alabama Bank of Troy, National Association, Troy, Ala	
Merger	82	Merger	84
July 12, 1982		July 31, 1982	
The First National Bank of Toms River, N J		First National Bank of Houma, Houma, La	
Second First National Bank of Toms River, N J		New First National Bank of Houma, Houma, La	
Merger	82	Consolidation	84
July 15, 1982		July 31, 1982	
First National Bank of Venice, Venice, Fla		Foothills National Bank, Fort Collins, Colo	
Interim First National Bank of Venice, Venice, Fla		The New Foothills National Bank, Fort Collins, Colo	
Merger	82	Merger	85
July 15, 1982		August 1, 1982	
Metropolitan National Bank, Little Rock, Ark		Farmers National Bank of Maryland, Annapolis, Md	
The Metropolitan National Bank, Little Rock, Ark		Farmers Bank, National Association, Annapolis, Md	
Merger	82	Merger	85
July 20, 1982		August 1, 1982	
Fort Wayne National Bank, Fort Wayne, Ind		The First National Bank of Gonzales, Gonzales, Tex	
Fort Wayne Bank, National Association, Fort Wayne, Ind		New First National Bank of Gonzales, Gonzales, Tex	
Merger	83	Merger	85
July 22, 1982		August 2, 1982	
Centennial Bank of Pueblo, Pueblo, Colo		First Eastern Bank, National Association, Wilkes-Barre, Pa	
Central Bank of Pueblo, Pueblo, Colo		First Eastern Interim Bank, National Association, Wilkes-Barre, Pa	
Merger	83	Consolidation	85
July 26, 1982		August 2, 1982	
Commerce National Bank of Kansas City, Kansas City, Kan		First Hardin National Bank & Trust, Elizabethtown, Ky	
Commerce Bank of Kansas City, National Association, Kansas City, Kan		FHN Bank, National Association, Elizabethtown, Ky	
Merger	83	Merger	86
August 1, 1982		August 2, 1982	
United Bank of Mississippi, National Association, Union, Miss		First National Bank and Trust Company of Rockford, Rockford, Ill	
Rock Island Deposit Union, Miss		Second National Bank and Trust Company of Rockford, Rockford, Ill	
		Merger	86

August 2, 1982 The Lubbock National Bank, Lubbock, Tex RepublicBank Lubbock, National Association, Lubbock, Tex Merger	86	September 1, 1982 The National Bank of Jackson, Jackson, Mich DBT National Bank of Jackson, Jackson, Mich Merger	89
August 2, 1982 National Bank of Commerce of El Dorado, El Dorado, Ark The National Bank of Commerce of El Dorado, El Dorado, Ark Merger	86	September 1, 1982 New Braunfels National Bank, New Braunfels, Tex Interim New Braunfels National Bank, New Braunfels, Tex Merger	89
August 2, 1982 North Towne National Bank of Rockford, Rockford, Ill First Community Bank, National Association, Rockford, Ill Merger	87	September 6, 1982 The First National Bank and Trust Company of Plainfield, Plainfield, Ind Second National Bank of Plainfield, Plainfield, Ind Merger	89
August 6, 1982 Citizens National Bank of Naples, Naples, Fla Naples Interim Bank, National Association, Naples, Fla Merger	87	September 7, 1982 The First National Bank of Russellville, Russellville, Ala FBG National Bank of Russellville, Russellville, Ala Merger	90
August 20, 1982 The Union National Bank of Streator, Streator, Ill First Union National Bank of Streator, Streator, Ill Merger	87	September 14, 1982 The Merchants and Planters National Bank of Sherman, Sherman, Tex New Merchants and Planters National Bank of Sherman, Sherman, Tex Merger	90
August 28, 1982 The Anniston National Bank, Anniston, Ala First Alabama Bank of Anniston, National Association, Anniston, Ala Merger	87	September 20, 1982 The First National Bank of Franklin County at Decherd, Decherd, Tenn First Phantom National Bank, Decherd, Tenn Merger	90
August 30, 1982 Lighthouse National Bank, Jupiter, Fla LNB National Bank, Jupiter, Fla Consolidation	88	September 27, 1982 The Colorado National Bank of Denver, Denver, Colo The New Colorado National Bank of Denver, Denver, Colo Consolidation	90
September 1, 1982 Citizens First National Bank of Tyler, Tyler, Tex New Citizens First National Bank of Tyler, Tyler, Tex Merger	88	September 27, 1982 Northeast Colorado National Bank of Denver, Denver, Colo Colorado National Bank—Northeast, Denver, Colo Consolidation	91
September 1, 1982 The Citizens National Bank of Waco, Waco, Tex East Waco National Bank, Waco, Tex Merger	88	September 27, 1982 South Colorado National Bank, Denver, Colo Colorado National Bank—South, Denver, Colo Consolidation	91
September 1, 1982 City National Bank of Baton Rouge, Baton Rouge, La CNB National Bank of Baton Rouge, Baton Rouge, La Merger	88	September 30, 1982 The First National Bank of Akron, Akron, Iowa First Bank of Akron, National Association, Akron, Iowa Purchase	91
September 1, 1982 Hays County National Bank, San Marcos, Tex New Hays County National Bank, San Marcos, Tex Merger	89	September 30, 1982 The Newport National Bank, Newport, Ky NN National Bank, Newport, Ky Merger	91

I. Mergers consummated involving two or more operating banks.

CENTURY BANK OF GAINESVILLE,
Gainesville, Fla., and Flagship National Bank of Gainesville, Gainesville, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Century Bank of Gainesville, Gainesville, Fla., with	\$25,156,949	4	
and Flagship National Bank of Gainesville, Gainesville, Fla. (17368), which had	240,000	0	
merged July 1, 1982, under charter and title of the latter. The merged bank at date of merger had	25,156,949		4

COMPTROLLER'S DECISION

Flagship National Bank of Gainesville is being organized by Flagship Banks Inc., Miami, Fla., a bank holding company. The merger of Century Bank of Gainesville into Flagship National Bank of Gainesville is a part of a process whereby Flagship Banks Inc., will acquire 100 percent of Century Bank of Gainesville. The merger is a vehicle for a bank holding company acquisition and combines a non-operating bank with an existing commercial bank. As such it presents no competitive issues under the Bank Merger Act, 12 USC 1828(c).

The financial and managerial resources of both proponents and the future prospects of the resulting bank are favorable. After the merger, the resulting bank will be in the position to draw on the financial and managerial resources of its new corporate parent. This will permit it to more effectively serve the convenience and needs of its community.

A review of the record of this application and other

information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicant's record of helping to meet the credit needs of the entire community, including low and moderate income neighborhoods, is less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicants to proceed with the proposed merger.
May 28, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which the Century Bank of Gainesville would become a subsidiary of Flagship Banks Inc., a bank holding company. The instant transaction would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Flagship Banks Inc., it would have no effect on competition.

* * *

THE EQUITABLE TRUST COMPANY,
Baltimore, Md., and Columbia Bank and Trust Company, Columbia, Md., and Equitable Bank, National Association,
Baltimore, Md.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Equitable Trust Company, Baltimore, Md., with	\$2,069,676,000	122	
and Columbia Bank and Trust Company, Columbia, Md., with	47,300,000	4	
and Equitable Bank, National Association, Baltimore, Md. (17356), which had	240,000	0	
merged July 1, 1982, under charter and title of the latter. The merged bank at date of merger had			126

COMPTROLLER'S DECISION

The Equitable Trust Company, Columbia Bank and Trust

* Asset figures are from the organizing information for the organizing bank and from the June 30, 1982, report of condition for the operating bank. Information as of date of consummation was not available at press time.

Company, and Equitable Bank, National Association (organizing) are majority-owned and controlled by Equitable Bancorporation, Baltimore, Md., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

* * *

FARMERS AND MERCHANTS BANK OF HAGERSTOWN, MARYLAND,
Hagerstown, Md., and Farmers and Merchants National Bank of Hagerstown, Hagerstown, Md.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Farmers and Merchants Bank of Hagerstown, Maryland, Hagerstown, Md., with	\$100,112,000	10	_____
and Farmers and Merchants National Bank of Hagerstown, Hagerstown, Md. (17357), which had	120,000	0	_____
merged July 1, 1982, under charter and title of the latter. The merged bank at date of merger had		_____	10

COMPTROLLER'S DECISION

Farmers and Merchants Bank of Hagerstown, Maryland, and Farmers and Merchants National Bank of Hagerstown (organizing), are majority-owned and controlled by Equitable Bancorporation, Baltimore, Md., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the bank's record of helping to meet the credit needs of its community, including low and moderate income neighborhoods, is less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.

May 11, 1982

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.

April 9, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would be not significantly adverse to competition.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which the Farmers and Merchants Bank of Hagerstown would become a subsidiary of Equitable Bancorporation, a bank holding company. The instant transaction would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Equitable Bancorporation, it would have no effect on competition.

* * *

ELLIS NATIONAL BANK OF PINELLAS COUNTY,
St. Petersburg, Fla., and Ellis National Bank of Clearwater, Clearwater, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Ellis National Bank of Clearwater, Clearwater, Fla. (16143), with	\$15,074,418	2	
and Ellis National Bank of Pinellas County, St. Petersburg, Fla (15277), which had	54,403,888	2	
merged July 9, 1982, under charter and title of the latter. The merged bank at date of merger had.	69,457,866		4

COMPTROLLER'S DECISION

Ellis National Bank of Pinellas County and Ellis National Bank of Clearwater are majority-owned and controlled by Ellis Banking Corporation, Bradenton, Fla., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory re-

sponsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their entire communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.
May 20, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would be not significantly adverse to competition.

* * *

THE FIRST NATIONAL BANK OF MOBILE,
Mobile, Ala., and First National Bank of Alabama-Daphne, Daphne, Ala.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National Bank of Alabama-Daphne, Daphne, Ala. (16285), with	\$ 10,942,000	2	
and The First National Bank of Mobile, Mobile, Ala. (1595), which had	623,618,000	17	
merged July 12, 1982, under charter and title of the latter. The merged bank at date of merger had.	634,560,000		19

COMPTROLLER'S DECISION

The First National Bank of Mobile and First National Bank of Alabama-Daphne are majority-owned and controlled by First Bancgroup-Alabama, Inc., Mobile, Ala., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.
November 17, 1981

The Attorney General's report was not received

* * *

MAUMEE VALLEY NATIONAL BANK,
 Defiance, Ohio, and The Liberty State Bank, Liberty Center, Ohio, and The Farmers & Merchants State & Savings
 Bank, Montpelier, Ohio

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Liberty State Bank, Liberty Center, Ohio, with.....	\$ 20,796,493	3	_____
and The Farmers & Merchants State & Savings Bank, Montpelier, Ohio, with.....	14,321,916	2	_____
and Maumee Valley National Bank, Defiance, Ohio (14300), which had.....	69,574,745	3	_____
merged July 12, 1982, under charter and title of the latter. The merged bank at date of merger had.....	104,874,401	_____	8

COMPTROLLER'S DECISION

The Liberty State Bank, The Farmers & Merchants State & Savings Bank, and Maumee Valley National Bank are wholly-owned and controlled by Toledo Trustcorp, Inc., Toledo, Ohio, a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory re-

sponsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.

June 8, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would be not significantly adverse to competition.

* * *

ELLIS FIRST NATIONAL BANK OF NEW PORT RICHEY,
 New Port Richey, Fla., and Ellis Security Bank, New Port Richey, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Ellis Security Bank, New Port Richey, Fla., with.....	\$ 50,687,535	2	_____
and Ellis First National Bank of New Port Richey, New Port Richey, Fla. (15043), which had.....	166,178,706	8	_____
merged July 16, 1982, under charter of the latter and with the title of "Ellis First National Bank of West Pasco." The merged bank at date of merger had.....	216,866,242	_____	10

COMPTROLLER'S DECISION

Ellis First National Bank of New Port Richey and Ellis Security Bank are majority-owned and controlled by Ellis Banking Corporation, Bradenton, Fla., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory re-

sponsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their entire communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.

May 28, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would be not significantly adverse to competition.

THE WASHINGTON BANK,
Turnersville, N.J., and The First Jersey National Bank/Delaware Valley, Turnersville, N.J.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Washington Bank, Turnersville, N.J., with.....	\$16,120,000	1	_____
and The First Jersey National Bank Delaware Valley, Turnersville, N.J. (17384), which had.....	120,000	0	_____
merged July 24, 1982, under charter and title of the latter. The merged bank at date of merger had.....		_____	1

COMPTROLLER'S DECISION

The First Jersey National Bank/Delaware Valley is being organized by First Jersey National Corporation, Jersey City, N.J., a bank holding company. The merger of The Washington Bank into The First Jersey National Bank/Delaware Valley is a part of a process whereby First Jersey National Corporation will acquire 100 percent (less directors' qualifying shares) of The Washington Bank.

The merger is a vehicle for a bank holding company acquisition and combines a nonoperating bank with an existing commercial bank. As such, it presents no competitive issues under the Bank Merger Act, 12 USC 1828(c).

The financial and managerial resources of both banks and the future prospects of the resulting bank are favorable. After the merger, the resulting bank will be in the position to draw on the financial and managerial re-

* Asset figures are from the organizing information for the organizing bank and from the June 30, 1982, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

SHAWMUT COUNTY BANK, N.A.,
Cambridge, Mass., and Shawmut Melrose-Wakefield Bank and Trust Company, Wakefield, Mass.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Shawmut Melrose-Wakefield Bank and Trust Company, Wakefield, Mass., with.....	\$100,473,000	7	_____
and Shawmut County Bank, N.A., Cambridge, Mass. (4771), which had.....	263,494,000	17	_____
merged July 31, 1982, under charter of the latter and with the title of "Shawmut County Bank, National Association." The merged bank at date of merger had.....	363,967,000	_____	24

COMPTROLLER'S DECISION

Shawmut County Bank, N.A., and Shawmut Melrose-Wakefield Bank and Trust Company are majority-owned and controlled by Shawmut Corporation, Boston, Mass., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory re-

sources of its new corporate parent. This will permit it to more effectively serve the convenience and needs of its community.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicant's record of helping to meet the credit needs of its entire community, including low and moderate income neighborhoods, is less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicants to proceed with the proposed merger.

June 23, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which The Washington Bank would become a subsidiary of First Jersey National Corporation, a bank holding company. The instant transaction would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by First Jersey National Corporation, it would have no effect on competition.

sponsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.

February 19, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would be not significantly adverse to competition.

* * *

BARNETT BANK OF CENTRAL FLORIDA, NATIONAL ASSOCIATION,
Winter Park, Fla., and Century Bank of Orange County, Apopka, Fla.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Century Bank of Orange County, Apopka, Fla., with and Barnett Bank of Central Florida, National Association, Winter Park, Fla. (14767), which had...	\$ 70,887,000	2	
merged August 1, 1982, under charter and title of the latter. The merged bank at date of merger had	526,986,000	17	
			19

COMPTROLLER'S DECISION

On April 7, 1982, application was made to the OCC for authority to merge Century Bank of Orange County, Apopka, Fla., (Century), into Barnett Bank of Central Florida, National Association, Winter Park, Fla. (Barnett-Central) The application is based on an agreement finalized between the banks on February 22, 1982.

As of December 31, 1981, Century held total deposits of \$61.0 million and operated one branch office in Zellwood in addition to its main office in Apopka. Century is majority-owned and controlled by Century Banks, Inc., a registered bank holding company. On May 6, 1982, the Board of Governors of the Federal Reserve System approved the merger of Century Banks, Inc., into Sun Banks of Florida, Inc. As a condition to that approval, Sun Banks of Florida, Inc. was required to divest four of Century Banks, Inc.'s subsidiary banks. Century is one of those banks that has to be divested.

Barnett-Central held total deposits of \$428.1 million as of December 31, 1981, and operated fifteen offices in metropolitan Orlando. Barnett-Central is majority-owned and controlled by Barnett Banks of Florida, Inc., Jacksonville, Fla., the second largest bank holding company in Florida with total deposits of \$4.5 billion on December 31, 1981, approximately 9 percent of the state's total commercial bank deposits.

The proponents do not currently compete directly and, as such, consummation of the proposal will not have a significant effect on existing competition in the relevant geographic market. The relevant market for this proposal is Apopka and the unincorporated communities of Plymouth, Zellwood and Tangerine, the area in which Century operates both its offices and derives the bulk of its deposits. As of September 30, 1981, Century was the largest of the three commercial banks operating in the relevant market, holding 68 percent of market deposits. However, since that date, two other banks,

subsidiaries of the state's largest and third largest bank holding companies, have opened offices in the market and a sixth bank has an approved/unopened office in the market. Sun Banks of Florida, Inc., the holding company that has been granted conditional approval to acquire Century Banks, Inc., is one of the holding companies that has recently opened an office in the relevant market. Therefore, because Barnett-Central and Barnett Banks of Florida, Inc. derive only a minimal amount of business from the relevant market, consummation of this proposal will have a positive effect on competition by injecting an additional competitor to the relevant market.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." We find the financial and managerial resources of Century and Barnett-Central to be satisfactory. The future prospects of Barnett-Central and the resulting bank are considered favorable; the future prospects of Century, however, due to the divestiture order, are uncertain. The Office is not aware of any facts which would produce a negative impact on convenience and needs as a result of this merger.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not have a significant effect on competition in the relevant market. Accordingly, the application is approved.
June 30, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would be not significantly adverse to competition.

* Asset figures are from the June 30, 1982, report of condition. Information as of date of consummation was not available at press time

* * *

DEPOSIT GUARANTY NATIONAL BANK,
Jackson, Miss., and Attala Bank of Kosciusko, Kosciusko, Miss.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Attala Bank of Kosciusko, Kosciusko, Miss., with.....	\$ 30,968,049	2	_____
and Deposit Guaranty National Bank, Jackson, Miss. (15548) which had.....	1,905,547,093	65	_____
merged August 1, 1982, under charter and title of the latter. The merged bank at date of merger had.....	1,926,063,056	_____	67

COMPTROLLER'S DECISION

On March 12, 1982, application was made to the OCC for prior authorization to merge Attala Bank of Kosciusko, Kosciusko, Miss. (Attala Bank), into Deposit Guaranty National Bank, Jackson, Miss. (Deposit Guaranty). This application is based on an agreement finalized between Attala Bank and Deposit Guaranty on January 19, 1982.

As of December 31, 1981, Attala Bank, an independent bank, had total deposits of \$24.6 million and operated two offices in Attala County. On the same date, Deposit Guaranty had total deposits of \$1.3 billion and operated 63 banking offices in southern and western Mississippi. Deposit Guaranty is a majority owned subsidiary of Deposit Guaranty Corporation, Jackson, Miss., and is the largest commercial bank operating in Mississippi.

The proponents do not currently compete directly and, as such, consummation of this proposal will have no significant effect on existing competition in the relevant geographic market. The relevant market for this proposal is Attala County, Miss., the area in which Attala Bank operates its offices, derives the bulk of its deposits and, as such, competes directly. Attala Bank, with 29 percent of market deposits, has the second largest deposit share of the three commercial banks operating 11 offices in the relevant market. Attala Bank's two competitors are the 11th and 24th largest of 176 commercial banks in Mississippi. Attala Bank is significantly smaller and operates only in Attala County, while the markets of its two competitors encompass several counties. Deposit Guaranty derives only a nominal volume of its business from the relevant market and its nearest office to any office of Attala Bank is 42 miles away. Therefore, consummation of this proposal will merely replace one competitor in the market with another, significantly

stronger institution, while allowing Deposit Guaranty to enter a market where it currently does not compete directly. Consequently, this merger is expected to have a positive effect on competition in the relevant market.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of Deposit Guaranty are considered satisfactory and its future prospects are favorable. The financial and managerial resources of Attala Bank are also reported to be satisfactory but its future prospects are limited due to its inability to effectively compete with the other banks in its market that have higher lending limits and offer a wider range of services. It is expected that consummation of this proposal will afford Attala Bank's customers with more diversified banking services and, as a result, enhance the convenience and needs of the banking public as a whole.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not lessen competition in the relevant market. Accordingly, the application is approved.

June 9, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would be not significantly adverse to competition.

* * *

FIRST NORTHWESTERN NATIONAL BANK OF EVELETH,
Eveleth, Minn., and First Northwestern National Bank of Hoyt Lakes, Hoyt Lakes, Minn.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First Northwestern National Bank of Hoyt Lakes, Hoyt Lakes, Minn. (14825), with	\$16,732,529	1	
and First Northwestern National Bank of Eveleth, Eveleth, Minn. (14536), which had	30,382,333	1	
merged August 1, 1982, under charter and title of the latter. The merged bank at date of merger had	47,116,793		2

COMPTROLLER'S DECISION

First Northwestern National Bank of Hoyt Lakes and First Northwestern National Bank of Eveleth are majority-owned and controlled by Northwest Bancorporation, Inc., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory re-

sponsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.
June 23, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would be not significantly adverse to competition.

* * *

BANK ONE OF ATHENS, N.A.,
Athens, Ohio, and The Citizens State Bank, Somerset, Ohio

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Citizens State Bank, Somerset, Ohio, with	\$10,427,316	1	
and Bank One of Athens, N.A., Athens, Ohio (7744), which had	76,955,498	5	
merged August 2, 1982, under charter of the latter and with the title of "Bank One of Southeastern Ohio, National Association." The merged bank at date of merger had	87,382,814		6

COMPTROLLER'S DECISION

On December 24, 1981, application was made to the OCC, pursuant to the Bank Merger Act, 12 USC 1828(c), for prior written authorization to merge The Citizens State Bank, Somerset, Ohio (Citizens), into Bank One of Athens, N.A., Athens, Ohio (BOA), under the charter and with the title of "Bank One of Southeastern Ohio, National Association." The application is based on an agreement finalized between BOA and Citizens on August 5, 1981.

As of September 30, 1981, BOA, a subsidiary of Banc One Corporation, Columbus, Ohio (the Corporation), a registered bank holding company, held total deposits of \$64.5 million in its four banking offices, all located in Athens County. The Corporation, which currently controls 22 subsidiary banks (and five nonbank subsidiaries) scattered throughout Ohio, was the fourth largest commercial banking organization in Ohio, with aggregate deposits of \$2.7 billion as of September 30, 1981.

As of the same date, Citizens, an independent bank, held total deposits of \$8.0 million in its single office located in north-central Perry County in the southeastern section of the state.

Citizens and BOA operate in separate, distinct, non-contiguous banking markets and, as such, existing direct competition between them or between Citizens and any of BOA's banking affiliates is, at best, nominal. Consummation of the proposed merger will not have an adverse competitive effect on the relevant market. The relevant geographic market for this proposal is the area in and surrounding the village of Somerset, including all of Hopewell and Madison and portions of Reading and Clayton Townships, i.e., the area in which Citizens competes directly and from which it derives the bulk of its deposits. Citizens is the smallest of the two unit commercial banks operating offices in the market, controlling almost 44 percent of market commercial bank deposits.

there are no other depository financial institutions operating in the market. The remainder of Perry County is served by offices of six other commercial banks and one savings and loan association. Overlap of competition between each of the proponents in the other's market is insignificant; the closest office of any of the Corporation's existing or pending affiliates, including BOA, is 43 miles away. As such, consummation of this proposal will merely replace one competitor in the relevant market with another, financially stronger competitor, and will allow BOA, and, thus, the Corporation, to enter a new market where it is not currently represented. Consequently, the merger can be expected to have a positive effect on competition in that market.

The Bank Merger Act, 12 USC 1828(c)(5), requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources and future prospects of both banks are considered satisfactory. After the consummation of the proposed merger, the resulting bank will be able to

draw on the financial and managerial resources of its parent, Banc One Corporation. Consequently the future prospects of the resulting bank appear favorable, as does its ability to effectively further enhance its competitiveness in the market.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the banks' records of helping to meet the credit needs of their entire communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not lessen competition in the relevant market. Accordingly, the application is approved.

July 2, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would be not significantly adverse to competition.

* * *

THE FIRST NATIONAL BANK OF LURAY,
Luray, Va., and Jefferson Bank of the Valley, Fisherville, Va., and First National Bank of the Valley, Luray, Va.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Jefferson Bank of the Valley, Fisherville, Va., with.....	\$17,554,354	6	_____
and The First National Bank of Luray, Luray, Va. (6031), with.....	31,191,538	3	_____
and First National Bank of the Valley, Luray, Va. (6031), which had.....	60,000	0	_____
merged August 2, 1982, under charter and title of the latter. The merged bank at date of merger had.....	48,745,892	_____	9

COMPTROLLER'S DECISION

Jefferson Bank of the Valley, Fisherville, Va. (Jefferson Bank) is a wholly-owned subsidiary of Jefferson Bankshares, Inc. (JBI), a multi-bank holding company. First National Bank of the Valley (FNB-Valley) is being organized by JBI for the purpose of acquiring The First National Bank of Luray, Luray, Va. (FNB-Luray), and combining it with Jefferson Bank.

Jefferson Bank has a main office and five branch offices, all of which are located in Augusta County. JBI also owns banks which operate in Charlottesville (Albemarle County), Richmond (Henrico County), Powhatan (Powhatan County) and Goochland (Land County). FNB-Luray operates a main office and two branches in Luray (Page County). Luray is separated from counties to the south and east by mountains and national parkland. There is currently no competition between FNB-Luray and Jefferson Bank or any of the other subsidiary banks of JBI.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the com-

munity to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.

June 25, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which the First National Bank of Luray and Jefferson Bank of the Valley would become a subsidiary of Jefferson Bankshares, Inc., a bank holding company. The instant transaction would merely combine an existing bank with a non-operating institution, as such, and without regard to the acquisition of the surviving bank by Jefferson Bankshares, Inc., it would have no effect on competition.

ABILENE NATIONAL BANK,
Abilene, Tex., and New Abilene National Bank, Abilene, Tex.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
New Abilene National Bank, Abilene, Tex. (15253), with	\$ 240,000	0	
and Abilene National Bank, Abilene, Tex. (15253), which had	407,131,000	1	
merged August 6, 1982, under charter and title of the latter. The merged bank at date of merger had	477,371,000		1

COMPTROLLER'S DECISION

On August 4, 1982, application was made to the Comptroller of the Currency to grant prior written approval for New Abilene National Bank (Applicant Bank) to merge with and into Abilene National Bank, Abilene, Tex. For the reasons set forth below, the application is hereby approved and Applicant Bank is authorized immediately to consummate the merger.

Abilene National Bank was chartered as a national bank by the Comptroller of the Currency on January 31, 1964. It was merged into an interim national bank on July 6, 1981, as part of a corporate reorganization. Abilene National Bank operates a main office and has six certificated customer bank communication terminals (CBCT's), all located in Abilene, Tex.

During the course of an examination of the bank which commenced May 14, 1982, certain facts came to the attention of this Office which indicated that the bank was operating in an unsafe and unsound condition and in violation of law. Among other things, it was disclosed that serious problems in the bank's loan portfolio, exacerbated by reduced depositor confidence and the resulting deposit run-off, had resulted in a strained capital base and dependence upon borrowings from the Federal Reserve Bank to maintain adequate liquidity. Based upon these facts, the Comptroller, on July 26, 1982, issued a Notice of Charges and a Temporary Cease and Desist Order which required an infusion of \$30,000,000 in capital and the immediate correction of violations of law. Had the ownership, the Board, and management taken adequate action to correct the bank's deficiencies, the bank could have continued under existing ownership.

During the course of our review of this application, this Office discovered that there were errors in the August 5, 1982, Resolution of Abilene National Bank's holding company, Consolidated Bancshares Inc., which was submitted in support of the merger application. These inaccuracies are not material to the ultimate approval of this application, and this Office has so advised the applicant. Nevertheless, in order to clarify the record on two specific matters: (1) this Office did not advise that Abilene National Bank would be placed into receivership solely in response to a failure of existing ownership to comply with the capital injection requirements of the Temporary Cease and Desist Order; and (2) this Office did not require, or state that a requirement would be made, that present ownership could no longer retain control of Abilene National Bank.

Applicant Bank is being organized by individuals associated with Mercantile Texas Corporation, Dallas, Tex.

(Mercantile). Subsequent to this decision, Mercantile will acquire 100 percent of the outstanding common stock of Abilene National Bank which had been pledged to secure debts previously contracted.

Under the Bank Merger Act, 12 USC 1828(c), the Comptroller cannot approve a merger transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual merger transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from other banking agencies and the Department of Justice. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed merger will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption to the Abilene community. Applicant Bank will have strong financial and managerial resources and this acquisition will enable the resulting bank to enhance the banking services offered in the Abilene community. Thus, the approval of this transaction will help to avert a loss of public confidence in the banking system, and will improve the services offered to the banking public.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, Applicant Bank's application to merge with and into Abilene National Bank is approved. The Comptroller further finds that the probable imminent failure of Abilene National Bank requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with the solicitation of competitive reports from other agencies, and authorizes the transaction to be

consummated immediately. This also constitutes approval for the resulting bank to operate the six CBCT's currently operated by Abilene National Bank

August 6, 1982

Due to the emergency nature of the situation, no Attorney General's report was requested

* * *

THE FIRST NATIONAL BANK OF BIRMINGHAM, Birmingham, Ala., and Citizens Bank & Trust Company, Alabaster, Ala.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Citizens Bank & Trust Company, Alabaster, Ala., with	\$ 6,390,000	1	
and The First National Bank of Birmingham, Birmingham, Ala. (3185), which had	2,063,228,000	36	
merged August 6, 1982, under charter and title of the latter. The merged bank at date of merger had	2,069,618,000		37

COMPTROLLER'S DECISION

Citizens Bank & Trust Company and The First National Bank of Birmingham are wholly-owned subsidiaries of AmSouth Bancorporation, Birmingham, Ala., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory re-

sponsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.

June 30, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would be not significantly adverse to competition.

* * *

FIRST STATE BANK OF WISE, Wise, Va., and Virginia National Bank Wise, Wise, Va.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First State Bank of Wise, Wise, Va., with	\$65,746,000	2	
and Virginia National Bank Wise, Wise, Va. (17450), which had	9,473,000	0	
consolidated August 6, 1982, under charter of the latter and title "First National Bank of Wise." The consolidated bank at date of consolidation had	65,746,000		2

COMPTROLLER'S DECISION

Virginia National Bank/Wise, Wise, Va., is being organized by Virginia National Bank, Norfolk, Va., as part of a plan whereby Virginia National Bank will acquire 100 percent of the outstanding shares of First State Bank of Wise for the purpose of facilitating the merger of First National Bank of Wise (formerly First State Bank of Wise) into Virginia National Bank.

The consolidation is a vehicle to facilitate the merger of First National Bank of Wise and Virginia National Bank. Consequently, since the transaction merely combines a non-operating bank with an existing commercial

bank, it presents no competitive issues under the Bank Merger Act, 12 USC 1828(c)

The financial and managerial resources of both banks and the future prospects of the resulting bank are favorable. After the consolidation, the resulting bank will be in the position to draw on the financial and managerial resources of its new corporate parent. This will permit it to more effectively serve the convenience and needs of its community.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the

applicant's record of helping to meet the credit needs of the entire community, including low and moderate income neighborhoods, is less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicants to proceed with the proposed consolidation

January 28, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

Applicant, the only banking subsidiary of Virginia National Bankshares, Inc., is the second largest bank in Virginia. Applicant operates 184 offices throughout the state. As of September 30, 1981, Applicant had total domestic assets of \$3.0 billion and total domestic deposits of \$2.3 billion, including IPC demand deposits of \$562 million. In June 1981, Applicant purchased the Farmers Exchange Bank of Coeburn with two offices in Wise County.

Bank operates its main office in the town of Wise in Wise County and one branch in the city of Norton. As of September 30, 1981, Bank had total assets of \$67.6 million and total deposits of \$59.2 million, including IPC demand deposits of \$7.8 million. Bank's net income increased between 1976 and 1978 and has declined since then.

Wise County and the independent city of Norton, surrounded by Wise County, are located in southwestern Virginia and, along with Scott and Lee Counties, make up the LENOWISCO Planning District. Norton (1980 population 4,757) is the economic and trade center of the area. Wise County (1980 population 43,863) is a mountainous rural area with coal mining as its primary industry. Big Stone Gap is the largest town in the county (1980 population 4,748), followed by Wise (3,894), Coeburn (2,625), Appalachia (2,420), Pound (1,086) and St. Paul (973). Each of these towns has at least one bank and one shopping center; however, Norton, in the center of the county, is the basic trading and marketing area and a number of workers commute from these towns into Norton.

Bank operates its two offices in Wise and Norton. Wise is 5 miles northeast of Norton on a four-lane highway. Applicant recently acquired two offices in Coeburn, 7 miles southeast of Wise and 9 miles east of Norton. Wise and Coeburn are connected by a two-lane highway over the mountains. Norton and Coeburn are connected by a four-lane highway.

The Federal Reserve Bank of Richmond has defined the relevant geographic banking market as Wise County including the city of Norton. Every town in the county is within 20 miles of Norton and Wise. There is a considerable amount of commuting, not only from Coeburn to Wise and Norton, but also from the outlying towns. The roads have been improved since the passage of the Appalachian Relief Act. It takes no longer than 15 min-

utes to get from Coeburn to the Wise—Norton area. Thus, the most appropriate geographic market is Wise County including the city of Norton.

One arguable alternative market would include only Wise, Norton and Coeburn. However, given the relatively short distances involved and the commuting patterns from the fringes of the County to this area, this market would be too narrow.

Another arguably alternative market might be the entire LENOWISCO Planning District. However, the area is 240 square miles and there is little commuting from Scott and Lee Counties into Wise County. Residents in Scott and Lee Counties commute to Kingsport, Tennessee for most of their shopping and recreation. Wise County banks do not advertise in Scott and Lee Counties. For these reasons, the LENOWISCO Planning District is not an appropriate geographic market.

Applicant and Bank compete in the relevant market. The closest offices are Bank's Wise office, and Applicant's Coeburn offices, seven miles southeast of Wise. Based on June 30, 1981 figures, Applicant ranks fourth of seven commercial banks with total deposits of \$33.6 million representing 10.89 percent of the total commercial bank deposits in the market. Bank ranks third with total deposits of \$60.6 million representing 19.65 percent of the total commercial bank deposits. The three-firm concentration ratio is 77.05 percent, the four-firm concentration ratio is 87.93 percent. The Herfindahl index is .2230. The resulting institution will rank second with total deposits of \$94.1 million representing 30.53 percent of the total commercial bank deposits. The three-firm concentration ratio will increase to 87.93 percent; the four-firm concentration ratio will increase to 95.03 percent. The Herfindahl index will increase to .2657.

Two savings and loan associations operate in the relevant market. The market for total deposits including savings and loan associations is also highly concentrated. Applicant ranks fourth with 9.77 percent of the total deposits. Bank ranks third with 18.94 percent of the total deposits. The three-firm concentration ratio is 74.74 percent; the four-firm concentration ratio is 84.51 percent. The Herfindahl index is .2109. The resulting institution will rank second with 28.71 percent of the total deposits. The three-firm concentration ratio will increase to 84.51 percent, the four-firm concentration ratio will increase to 90.42 percent. The Herfindahl index will increase to .2480.

Despite declining earnings and capital ratios, Bank is an effective competitor. Its total deposits have remained steady at \$60 million for the past year. Any efficiencies possible through merger with Applicant are also possible through an acquisition by another institution which, unlike Applicant, is not in direct competition with Bank.

This merger will eliminate significant direct competition and will substantially increase concentration in the Wise County market. Therefore, we conclude that the merger will have a significantly adverse effect on competition.

¹ The Board does not include the city of Norton, which is located in Wise County, but is considered an independent city under Virginia law.

² See Federal Reserve Bank of Richmond, Order Approving Acquisition of Farmers Exchange Bank of Virginia by Bank of Virginia Company, dated June 1981, Report of the Board of Governors of the Federal Reserve System to the Congress of the United States on the Proposed Merger of the Farmers Exchange Bank of Virginia and the Bank of Virginia.

³ One credit union also operates in the market, however, it is not included in the analysis because it is restricted to employees of the Piggly Wiggly Grocery Store.

VIRGINIA NATIONAL BANK,
Norfolk, Va., and First National Bank of Wise, Wise, Va.

Names of banks and type of transaction	Total assets	Banking office	
		In operation	To be operated
First National Bank of Wise, Wise, Va. (17450), with.....	\$ 65,746,000	2	—
and Virginia National Bank, Norfolk, Va. (9885), which had.....	3,243,232,000	184	—
merged August 9, 1982, under charter and title of the latter. The merged bank at date of merger had	3,304,260,000	—	186

COMPTROLLER'S DECISION

On October 21, 1981, application was made to the OCC for prior authorization to merge First National Bank of Wise, Wise, Va. (FNBW), into Virginia National Bank, Norfolk, Va. (VNB). The application is based on an agreement finalized between VNB and FNBW on September 23, 1981. First National Bank of Wise will be the bank resulting from the consolidation of First State Bank of Wise, Wise, Va., and Virginia National Bank/Wise, Wise, Va. (organizing), an interim national bank subsidiary of VNB, created to technically facilitate this proposed merger, which will occur immediately following that consolidation.

As of June 30, 1981, VNB, the principal subsidiary of Virginia National Bancshares, Inc., Norfolk, Virginia (Bancshares), was the second largest commercial bank in Virginia, holding total domestic deposits of almost \$2.25 billion in 179 offices throughout the state. As of the same date, FNBW, an independent bank, held total deposits of \$60.6 million in its two offices, one in Wise and the other in Norton, both in rural Wise County in the southwestern corner of Virginia. The topography of Wise County is generally mountainous, with individual communities relatively isolated from one another, even though they may be separated by only a few miles.

The relevant market for this proposal is the isolated areas in and directly adjacent to the communities of Wise and Norton, Virginia, and the limited areas intervening those communities, *i.e.*, the area from which FNBW derives the bulk of its deposits, is directly represented and is, consequently, an actual direct competitor. Some measurable volumes of deposits are also attributable to other nearby communities but inclusion of those communities in the market would not materially alter this analysis. FNBW is the largest of the three commercial banks operating six offices within the market and controlling approximately 50 percent of market commercial bank deposits. The second largest bank competitor is only slightly smaller, with 48.4 percent of market deposits. In addition to the three commercial banks, the market is also served by a savings and loan association and a credit union. The closest office of VNB to an office of FNBW is approximately 9 miles east in Coeburn. The markets served by that VNB office are separated from FNBW's market by the area's mountains. That terrain, which creates a barrier to commerce, is penetrated only by a single, easily-traveled highway. Competition between FNBW and the Coeburn office of VNB is not relatively significant as VNB derives only 11.9 percent of its deposits from FNBW's market. A portion of those deposits are attributable to former shareholders of Farmers Exchange Bank (now the VNB Coeburn office)

prior to its acquisition and to accounts which are in the Wise County ZIP Codes but are closer to Coeburn. FNBW derives only 2.3 percent of its deposits from the Coeburn area. VNB could enter FNBW's market with *de novo* offices but finds that alternative unrealistic and not economical, given the circumstances associated with the area.

This Office received reports on the competitive factors related to this merger from the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve Board (FRB); no opinion has been furnished by the Department of Justice. The FDIC concluded that the proposal would have no significant effect on competition. The FRB, delineating the affected market as all of Wise County and, thus, determining that VNB (Coeburn) and FNBW are direct competitors, opined that the consummation of the proposal would have a substantially adverse effect on competition within the county. As detailed above, this Office does not accept the market delineation employed by the FRB and, consequently, does not agree with its conclusion; the geographic and competitive circumstances related to this case make the inclusion of all of Wise County in the relevant market unreasonable.

Consequently, this Office believes that, while some degree of competition may be eliminated by consummation of the proposal, competition that does exist is not substantial and its elimination would not have a significant effect on competition in the Wise Norton market. The merger would, in effect, merely replace one competitor in the relevant market with another, more substantial competitor.

The Bank Merger Act requires this Office to consider "the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served" (12 USC 1828(c)(5)). The financial and managerial resources of both banks are considered satisfactory. After the consummation of the proposed merger the resulting bank will be able to draw on the financial and managerial resources of its parent, Bancshares. Consequently, the future prospects of the resulting bank appear favorable, as does its ability to effectively further enhance its competitiveness in the market.

A review of the record of this application and the information available to this Office as a result of its regulatory responsibilities revealed no evidence that the banks' records of helping to meet the credit needs of their entire communities, including low and moderate income neighborhoods, are less than satisfactory.

We have considered the application pursuant to the Bank Merger Act (12 USC 1828(c)) and find that it is

not significantly lessen competition in the relevant market. Accordingly, the application is approved.
January 28, 1982

NOTE: Only one Attorney General's report was prepared for both Wise, Va., transactions. It may be found on page 66

* * *

KEY BANK OF NORTHERN NEW YORK N.A.,
Watertown, N.Y., and The Lyons Falls National Bank, Lyons Falls, N.Y.

Names of banks and type of transaction	Total assets ^a	Banking offices	
		In operation	To be operated
The Lyons Falls National Bank, Lyons Falls, N.Y. (12836), with	\$ 6,101,000	1	
and Key Bank of Northern New York N.A., Watertown, N.Y. (2657), which had	288,979,000	17	
merged August 13, 1982, under charter of the latter and title "Key Bank of Northern New York National Association." The merged bank at date of merger had			18

COMPTROLLER'S DECISION

On March 3, 1982, application was made to the OCC for prior authorization to merge the Lyons Falls National Bank, Lyons Falls, N.Y. (Lyons Falls), into Key Bank of Northern New York National Association, Watertown, N.Y. (Northern). The application is based on an agreement finalized between Lyons Falls and Northern on November 12, 1981.

As of December 31, 1981, Northern had total assets and total deposits of \$274.4 million and \$201.6 million respectively. As of September 31, 1981, Lyons Falls held total assets and total deposits of \$6.0 million and \$5.4 million respectively.

The relevant geographic market for this proposal is in south central Lewis County overlapping into a small portion of northern Oneida County. This area is in the north central portion of New York State midway between Watertown and Utica. Lyons Falls, which operates only through its main office, holds 4.9 percent of the market deposits. Northern, through its Lowville Office, 14 miles north of Lyons Falls, ranks first in market share deposits with 23.9 percent. Five branches of four other commercial banks hold the remaining market area deposits: the Booneville Office of Oneida National Bank and Trust Company (23.0 percent), the Port Leyden and Lowville Offices of the St. Lawrence National Bank (22.6 percent), the Lowville Office of the Jefferson National Bank (13.5 percent), and the Booneville Office of the Lincoln First Bank, National Association (4.9 percent).

The Bank Merger Act requires this Office to consider the financial and managerial resources and future prospects of the existing and proposed institutions and

the convenience and needs of the community to be served." The financial and managerial resources of Northern are considered satisfactory. Lyons Falls, although currently considered in generally satisfactory condition, is experiencing management succession problems which have begun to affect its operations. Management considers the proposed merger as the most appropriate means of resolving its problems, while at the same time strengthening its ability to service its customers. After the consummation, the resulting bank will be able to draw on the financial and managerial resources of its parent, Key Banks, Inc., and provide improved services, such as larger loans, credit cards, NOW accounts, trust services, and a point of sale terminal network, to its customers.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

Although Northern will retain its position as the largest commercial bank competitor in the market and its deposits will increase, continuation of expanded and improved services to Lyons Falls customers is viewed as substantially mitigating any adverse competitive effects of the proposal.

This is the prior written approval required by the Bank Merger Act for applicants to proceed with the proposed merger.

July 8, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would be not significantly adverse to competition.

^a Assets figures are from the June 30, 1982 report of condition. Information as of date of consummation was not available at press time.

* * *

AMERICAN NATIONAL BANK,
Bakersfield, Calif., and Four Branches of The Bank of California, National Association, San Francisco, Calif.

Names of banks and type of transaction	Total assets ^a	Banking offices	
		In operation	To be operated
Four Branches of The Bank of California, National Association, San Francisco, Calif. (9655), with...	\$4,408,854,000	4	—
were purchased August 16, 1982, by American National Bank, Bakersfield, Calif. (15437), which had	428,885,000	21	—
After the purchase was effected, the receiving bank had.....			25

COMPTROLLER'S DECISION

On June 30, 1982, application was made to the OCC, pursuant to the Bank Merger Act, 12 USC 1828(c), for prior authorization for American National Bank, Bakersfield, Calif. (ANB), a wholly-owned subsidiary of Central Pacific Corporation (CPC), to purchase certain assets and assume certain liabilities of The Bank of California, National Association, San Francisco, Calif. (BankCal), by the acquisition of four of BankCal's Stanislaus County offices located in Ceres, Modesto, Riverbank and Turlock. The application is based on an agreement finalized between ANB and BankCal on June 29, 1982.

As of December 31, 1981, ANB held total deposits of \$336.7 million and had 21 offices located in Bakersfield, Fresno, Visalia, Buellton, Caruthers, Chowchilla, Delano, Lancaster, Merced, Modesto, Palmdale, Porterville, Rosamond, Santa Ynez, Solvang and Tulane. ANB is a subsidiary of CPC, which has one other banking subsidiary and total assets as of December 31, 1981, of \$424.8 million. BankCal had deposits of \$2.45 billion and operated 49 offices, 45 of which are in California. BankCal is the only national bank in the United States that is authorized to operate branches in three states; the other two states are Oregon and Washington.

Consummation of this proposal will have no significant effect on competition. Stanislaus County has been designated as the relevant geographic market. ANB has one office in Stanislaus County and BankCal has five offices in the county. At the present time, there are 17 banks operating 59 banking offices in Stanislaus

County. ANB's one office is in the north-central portion of Modesto and BankCal's five offices are located in Ceres, Riverbank, Turlock and two in Modesto.

The two banks presently compete in Modesto and they will continue to compete there after consummation of the proposed acquisition. After consummation, ANB will have two branches located a considerable distance apart in Modesto and BankCal will operate a single office in the main business district of Modesto. The acquisition would reduce concentration slightly in the Modesto market.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." The financial and managerial resources of ANB are considered good as are the future prospects of the combined entity. ANB will be afforded a presence in downtown Modesto. It will also be provided with its initial entry into Ceres, Riverbank and Turlock which are the types of markets it has been servicing successfully for many years.

A review of the record of this application and other information available to this Office as a result of its bank regulatory responsibilities, revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including the low and moderate income neighborhoods, are less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicant to proceed with the proposed purchase of assets and assumption of liabilities.

August 19, 1982

The Attorney General's report was not received

* Asset figures are of whole bank as of June 30, 1982, report of condition. Information as of date of consummation was not available at press time.

VIRGINIA NATIONAL BANK,
Norfolk, Va., and The Northern Virginia Bank, Springfield, Va., and First City Bank of Newport News, Newport
News, Va.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Northern Virginia Bank, Springfield, Va., with	\$ 203,153,000	11	
and First City Bank of Newport News, Newport News, Va., with	28,660,000	4	
and Virginia National Bank, Norfolk, Va. (9885), which had	3,231,552,000	184	
merged August 16, 1982, under charter and title of the latter. The merged bank at date of merger had			199

COMPTROLLER'S DECISION

On April 29, 1982, an application was filed by Virginia National Bank, Norfolk, Va. (VNB), for permission to merge with and into itself, The Northern Virginia Bank, Springfield, Va. (NVB) and First City Bank of Newport News, Newport News, Va. (FCB). VNB, which is wholly-owned by Virginia National Bankshares, Inc., operates 178 branches statewide. NVB and FCB are wholly-owned by New Virginia Bancorporation, and are that corporation's sole assets.

Although all of NVB's offices and all of VNB's 35 northern Virginia branches are located in northern Virginia cities and counties, the applicant presented data for the proposed merger of NVB into VNB for two possible relevant geographic markets, i.e., the northern Virginia area (comprised of Arlington, Fairfax and Prince William counties, and the cities of Alexandria, Fairfax, Falls Church, Manassas and Manassas Park) and the Washington, D.C. - Radially Metro Area ("RMA") [as defined by Rand McNally, to include all of the aforementioned cities and counties in addition to Washington, D.C., Montgomery, Prince Georges and Charles counties and portions of Anne Arundel, Frederick and Howard counties (in Maryland) and portions of Fauquier, Loudon and Stafford counties (in Virginia)]. This Office concurs with the general premise that banks in the Washington, D.C. RMA provide substantive competition for VNB and NVB, especially among the commuter population. However, in light of the fact that VNB's northern Virginia offices generate 83 percent of their deposits from the northern Virginia area, this smaller area is considered to be the relevant geographic market. As of June 30, 1981, NVB held total deposits of \$170.2 million and ranked seventh of 19 commercial banks with 4.9 percent of market deposits. VNB's 35 northern Virginia branches held aggregate deposits of \$274.6 million, ranking fifth (8.3 percent) in deposit share. Through this merger, VNB would become the fourth largest commercial bank in the market area and would retain its statewide position ranking of number two.

* Asset figures are from the June 30, 1982 report of condition. Information as of date of application was not available at press time.

The relevant market area for the proposed merger of FCB into VNB was presented as the Newport News-Hampton RMA. VNB operates 14 offices in the Newport News-Hampton RMA, with aggregate deposits of \$107.7 million. FCB has four offices, three in Newport News and one in Hampton, immediately over the city limit. FCB had aggregate deposits of \$21.7 million on June 30, 1981. VNB and FCB rank fourth and ninth, respectively, by market share, among the 15 commercial banks in the market area. Subsequent to the proposed merger, VNB will continue to rank fourth in the relevant market. In both instances, the number of commercial banks and the lack of concentration of deposits among them, results in a minimal impact of competition within the markets.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions." 12 USC 1828(c)(5). The financial and managerial resources of all three banks are considered to be satisfactory. After the consummation of the proposed merger, the resulting bank will be able to draw on the financial resources of its parent, Virginia National Bankshares, Inc. Consequently, the future prospects of the resulting bank appear favorable.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act for the applicants to proceed with the proposed merger.
June 30, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would be not significantly adverse to competition.

EXCHANGE NATIONAL BANK OF CHICAGO,
 Chicago, Ill., and Central National Bank of Chicago, Chicago, Ill.

Names of banks and type of transaction	Total assets	Participating	
		in period	Total period
Exchange National Bank of Chicago, Chicago, Ill. (12945), with.....	\$609,246,000	1	_____
and Central National Bank of Chicago, Chicago, Ill. (14362), which had....	543,586,000	1	_____
merged August 21, 1982, under charter of the latter and title "Exchange National Bank of Chicago. The merged bank at date of merger had.....			_____ 2

COMPTROLLER'S DECISION

On March 24, 1982, application was made to the OCC for prior authorization to merge Exchange National Bank of Chicago, Chicago, Ill. (Exchange), into Central National Bank in Chicago, Chicago, Ill. (Central). The application is based on an agreement finalized between Exchange and Central on April 23, 1982.

As of March 31, 1982, Exchange, the principal subsidiary of Exchange International Corporation, Chicago, Ill., a bank holding company, held total deposits of \$488.6 million in its single office located in Chicago. As of the same date, Central, the principal subsidiary of Central National Chicago Corporation, Chicago, Ill., a bank holding company, held total deposits of \$432.1 million. Its single office is located in the same block as Exchange in Chicago.

The relevant geographic market for this proposal is the Chicago SMSA, the area from which both banks receive the bulk of their deposits and compete directly. Exchange and Central are both located in the central business district of Chicago, which is the hub of transportation to and from the downtown area. Consequently, both banks serve large numbers of commuters from the Chicago SMSA. The relevant geographic market, with approximately 412 commercial banks, is not highly concentrated and neither bank exerts a significant competitive influence on the market. Central is the seventh largest bank in the market and Exchange is the eighth largest. The bank resulting from the proposed merger will become the seventh largest bank, so the four-firm concentration ratio will not change. Therefore, this Of-

* Asset figures are from the June 30, 1982, report of condition. Information as of date of consummation was not available at press time.

fice believes that the proposal will not substantially lessen competition in the relevant geographical market.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." The financial and managerial resources of Exchange are satisfactory and its future prospects are favorable. However, because of heavy loan losses experienced by Central in recent years, its present condition and its future prospects as an independent institution are not favorable. Based on the current sound condition of Exchange, the resulting bank is expected to be better able to serve the convenience and needs of the public in the relevant market, further enhancing competition. As such, the future prospects of the resulting bank are favorable.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the banks' records of helping to meet the credit needs of their entire communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it would not have a significant adverse effect on competition in the relevant market. Accordingly, the application is approved.

July 2, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would be not significantly adverse to competition.

THE FIRST JERSEY NATIONAL BANK,
 Jersey City, N.J., and Two Branches of First Peoples Bank of New Jersey, Haddon Township, N.J.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Two Branches of First Peoples Bank of New Jersey, Haddon Township, N.J., with.....	\$987,207,000	2	_____
were purchased August 23, 1982, by The First Jersey National Bank, Jersey City, N.J. (374), which had.....	986,329,000	28	_____
After the purchase was effected, the receiving bank had.....		_____	30

COMPTROLLER'S DECISION

First Jersey National Corporation (FJNC), was the successful bidder on seven branches of First Peoples Bank of New Jersey, Haddon Township, N. J. (Peoples). Two of these branches are located in Willingboro, Burlington County and are the subject of this application. On May 6, 1982, application was made to the OCC, pursuant to the Bank Merger Act, 12 USC 1828(c), for prior authorization for the First Jersey National Bank, Jersey City, N.J. (FJNB), a wholly-owned subsidiary of FJNC, to purchase certain assets and assume certain liabilities of Peoples by the acquisition of two of Peoples' Burlington County offices located in Willingboro. The application is based on an agreement finalized between FJNB and Peoples on April 22, 1982.

As of December 31, 1981, Peoples held total deposits of \$907.3 million and had 47 offices located in Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem counties. FJNB is a subsidiary of FJNC, which has two other banking subsidiaries. As of December 31, 1981, it had total assets of \$1.1 billion and was the ninth largest bank holding company in New Jersey. FJNB had deposits of \$768.8 million as of December 31, 1981, and operated a 28 branch network in Atlantic, Bergen, Essex, Hudson, Monmouth, Ocean and Union counties.

Consummation of this proposal will have no significant effect on competition. FJNB and Peoples do not compete in Burlington County. FJNB's nearest office to the Willingboro area is its Wall Office in Monmouth County, 41 miles northeast. Its next closest office is its Princeton Ave. Office in Ocean County, 42 miles east. Within the market there are nine commercial banking

institutions with 20 offices and total deposits of \$257 million. Peoples' four offices in the Willingboro market hold \$51 million in deposits, which is 19.9 percent of the market share and ranks it second of the nine banks. FJNB will acquire 13.2 percent of the market and First National State Bank of West Jersey, which holds 20.9 percent of the market and was the successful bidder for the other two branches in Willingboro, will receive an additional 6.7 percent which will increase its market share to 27.6 percent. The entry of FJNB will increase competition by injecting a stronger, more aggressive competitor into the market.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." The financial and managerial resources of FJNB are considered good as are the future prospects of the combined entity. Present customers of Peoples will benefit from expanded services offered by FJNB and FJNC.

A review of the record of this application and other information available to this Office as a result of its bank regulatory responsibilities, revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including the low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it would not have a significant effect on competition in the relevant market. Accordingly, the application is approved.
 July 22, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would be not significantly adverse to competition.

* Asset figures are of whole bank as of June 30, 1982, report of condition. Information as of date of consummation was not available at press time.

* * *

THE FIRST JERSEY NATIONAL BANK/SOUTH,
Medford Lakes, N.J., and Five Branches of First Peoples Bank of New Jersey, Haddon Township, N.J.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Five Branches of First Peoples Bank of New Jersey, Haddon Township, N.J., with.....	\$987,207,000	5	_____
were purchased August 23, 1982, by The First Jersey National Bank South, Medford Lakes, N.J. (16397), which had.....	112,072,000	9	_____
After the purchase was effected, the receiving bank had.....		_____	14

COMPTROLLER'S DECISION

First Jersey National Corporation (FJNC) was the successful bidder on seven branches of First Peoples Bank of New Jersey, Haddon Township, New Jersey (Peoples). Five of these branches are located in Cape May County and are the subject of this application. On May 6, 1982, application was made to the OCC, pursuant to the Bank Merger Act, 12 USC 1828(c), for prior authorization for The First Jersey National Bank/South, Medford Lakes, New Jersey (FJNB/South), a wholly-owned subsidiary of FJNC, to purchase certain assets and assume certain liabilities of Peoples by the acquisition of five of Peoples' Cape May County offices located in Avalon, Cape May Courthouse, North Wildwood, Ocean View and Stone Harbor. The application is based on an agreement finalized between FJNB/South and Peoples on April 22, 1982.

As of December 31, 1981, Peoples held total deposits of \$907.3 million and had 47 offices located in Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean and Salem counties. FJNB/South is a subsidiary of FJNC, which has two other banking subsidiaries. As of December 31, 1981, it had total assets of \$1.1 billion and was the ninth largest bank holding company in New Jersey. FJNB/South had deposits of \$96.2 million as of December 31, 1981, and operated nine offices with its head office in Burlington County and eight branches in Ocean County.

Consummation of this proposal will have no significant effect on competition. FJNB/South and Peoples do not compete in Cape May County. FJNB/South's southernmost office is 40 miles north of the northernmost and nearest office of Peoples. Within the market there are eight commercial banking institutions with 38 offices

and total deposits of \$452 million. Peoples' five Cape May County offices hold 12.2 percent of the total banking deposits in the market amounting to \$55 million and ranking fourth of the eight banks in the market area. FJNB/South will replace Peoples in the market and will not lessen competition but will stimulate competition by injecting a stronger, more aggressive competitor into the market. FJNB/South would achieve an immediate presence in the market and will enable FJNB/South to provide a linkage with its offices to the north in Ocean County.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." The financial and managerial resources of FJNB/South are considered good. The future prospects of the combined entity are considered good. Present customers of Peoples will have the added convenience of FJNB/South's offices in Ocean County and will benefit from the expanded services provided by FJNC.

A review of the record of this application and other information available to this Office as a result of its bank regulatory responsibilities, revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including the low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it would not have a significant effect on competition in the relevant market. Accordingly, the application is approved.
July 22, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would be not significantly adverse to competition.

* Asset figures are of whole bank as of June 30, 1982, report of condition. Information as of date of consummation was not available at press time.

PAN AMERICAN BANK OF HIALEAH, NATIONAL ASSOCIATION,
Hialeah, Fla., and Two Branches of Peoples American National Bank of North Miami, North Miami, Fla.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Two Branches of Peoples American National Bank of North Miami, North Miami, Fla. (14654), with...	\$32,858,000	2	_____
were purchased August 27, 1982, by Pan American Bank of Hialeah, National Association, Hialeah, Fla. (15448), which had.....	30,325,000	2	_____
After the purchase was effected the receiving bank had.....		_____	3

COMPTROLLER'S DECISION

Pan American Bank of Hialeah, National Association and Peoples American National Bank of North Miami are majority-owned and controlled by Pan American Banks, Inc., Miami, Fla., a registered bank holding company. This proposed purchase and assumption of the North Miami and West Dixie Offices is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

* Asset figures are of whole bank as of June 30, 1982, report of condition. Information as of date of consummation was not available at press time

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior approval by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the purchase and assumption.

August 2, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would be not significantly adverse to competition.

* * *

PAN AMERICAN BANK, NATIONAL ASSOCIATION,
Miami, Fla., and One Branch of Peoples Downtown National Bank, Miami, Fla.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
One Branch of Peoples Downtown National Bank, Miami, Fla. (15296), with.....	\$ 39,535,000	1	_____
was purchased August 27, 1982, by Pan American Bank, National Association, Miami, Fla. (16442), which had.....	672,187,000	18	_____
After the purchase was effected the receiving bank had.....		_____	19

COMPTROLLER'S DECISION

Pan American Bank, National Association and Peoples Downtown National Bank are majority-owned and controlled by Pan American Banks, Inc., Miami, Fla., a registered bank holding company. This proposed purchase and assumption of the Port of Miami Office is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior approval by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the purchase and assumption.

August 2, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would be not significantly adverse to competition.

* Asset figures are of whole bank as of June 30, 1982, report of condition. Information as of date of consummation was not available at press time

PEOPLES AMERICAN NATIONAL BANK OF NORTH MIAMI,
North Miami, Fla., and One Branch of Peoples Downtown National Bank, Miami, Fla.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
One Branch of Peoples Downtown National Bank, Miami, Fla. (15296), with.....	\$39,535,000	1	_____
was purchased August 27, 1982, by Peoples American National Bank of North Miami, North Miami, Fla. (14654), which had.....	32,858,000	2	_____
After the purchase was effected the receiving bank had.....		_____	3

COMPTROLLER'S DECISION

Peoples American National Bank of North Miami and Peoples Downtown National Bank are majority-owned and controlled by Pan American Banks, Inc., Miami, Fla., a registered bank holding company. This proposed purchase and assumption of the Northeast First Avenue Office is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

* Asset figures are of whole bank as of June 30, 1982, report of condition. Information as of date of consummation was not available at press time.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior approval by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the purchase and assumption.

August 2, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would be not significantly adverse to competition.

* * *

THE CITIZENS AND SOUTHERN NATIONAL BANK,
Savannah, Ga., and The Citizens and Southern Bank of Colquitt County, Moultrie, Ga.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Citizens and Southern Bank of Colquitt County, Moultrie, Ga. with.....	\$ 45,898,000	1	_____
and The Citizens and Southern National Bank, Savannah, Ga. (13068), which had.....	4,718,086,000	136	_____
merged August 31, 1982, under charter and title of the latter. The merged bank at date of merger had.....	4,749,648,000	_____	137

COMPTROLLER'S DECISION

On April 20, 1982, application was made to the OCC for authority to merge The Citizens and Southern Bank of Colquitt County, Moultrie, Ga. (C&S-Colquitt County), into The Citizens and Southern National Bank, Savannah, Ga. (C&S). The application is based on an agreement finalized between C&S and C&S-Colquitt County on February 16, 1982.

As of December 31, 1981, C&S, the principal subsidiary of Citizens and Southern Georgia Corporation, Atlanta, Ga., a registered bank holding company, was the largest commercial bank in Georgia, holding total deposits of \$3.3 billion in 128 offices located in several metropolitan areas of the state. As of the same date, C&S-Colquitt County, a unit bank, held total deposits of \$36.9 million.

While C&S and C&S-Colquitt County are not currently "affiliated" in the formal, legal sense, they have been closely associated for many years through C&S's "correspondent associate" system relationship, created by direct and indirect influence over the associated banks. Pursuant to that relationship, the correspondent associate banks benefit from C&S management assistance and personnel, certain uniform personnel policies and common advertising, and the ability to offer C&S services to their own customers and customers of other C&S associated banks, creating an interdependent financial services system that, for all practical purposes, closely associates the banks in the perception of the banking public. As such, competition between the system's banks is, at best, only nominal. C&S has effected

tively used this system to extend its services directly into areas not previously permitted under state branching statutes. Consequently, consummation of this proposal is considered to be, in actuality, nothing more than a corporate reorganization within the C&S system. As such, it would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the communities to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' rec-

ords of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have considered this application pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not lessen competition. Therefore, the application is approved.

July 30, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would be not significantly adverse to competition.

* - *

CENTRAL BANK OF OXFORD,
Oxford, Ala., and First City National Bank of Oxford, Oxford, Ala.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Central Bank of Oxford, Oxford, Ala. with	\$38,594,000	3	_____
and First City National Bank of Oxford, Oxford, Ala. (16105), which had	27,747,000	1	_____
consolidated September 16, 1982, under charter of the latter and with the title "Central Bank of Oxford, National Association." The consolidated bank at date of consolidation had		_____	4

COMPTROLLER'S DECISION

On November 19, 1981, application was made to the OCC for prior written authorization to consolidate the First City National Bank of Oxford, Oxford, Ala. (First), and Central Bank of Oxford, Oxford, Ala. (Central), under the charter of First and with the title of Central Bank of Oxford, National Association. The application is based on an agreement finalized between First and Central on September 8, 1981.

Central and First are both located in Calhoun County, Ala. Central is a wholly-owned subsidiary of Central Bancshares of the South, Inc., while First is an independent bank with no affiliates. On March 31, 1982, Central held total deposits of \$32,038,000 and operated two branches, both in Calhoun County. On the same date, First held total deposits of \$26,838,000 and operated no branches.

The relevant geographic market for this proposal is the southern half of Calhoun County, Ala., including the cities of Anniston and Oxford and contiguous communities. This is the area in which both banks compete directly. This was determined by a ZIP code analysis of customer accounts. There are currently eight commercial banks in the market operating 23 branch offices and five automated teller machines. Central is the fourth largest and First is the fifth largest bank with 10.4 percent and 6.9 percent of the commercial bank deposits, respectively. The consolidated association will be the

fourth largest bank and will be approximately the size of the second and third largest banks. Upon consummation of the proposed consolidation, three of the four largest multibank holding companies in Alabama will be represented in the market. The other holding company in that group is currently awaiting regulatory approval permitting its acquisition of the second largest bank in the market. If that holding company's application is approved, the four largest multibank holding companies in the state will own the four largest banks in the relevant geographic market.

The three largest banks are located in Anniston, which is approximately 3 miles north of Oxford and the biggest city in the market. Central and First are both located in Oxford and cannot branch into Anniston. First's only office is conveniently located on the main thoroughfare between Oxford and Anniston, while Central's head office is inconveniently located off the main highway. Upon consummation of the proposed consolidation, Central's existing head office will be closed and First's office will become the head office for the consolidated association providing good visibility and convenient access. Since the head offices of the two banks are located close to each other, the closing of Central's head office should not inconvenience Central's current customers.

Although the proposed consolidation will eliminate one competitor from the market, the consolidated association will be better able to compete with the larger Anniston banks than will Central or First individually. The

* Asset figures are from the June 30, 1982 report of condition. Information on a date of consummation was not available at press time.

consolidation will not significantly increase deposit concentration nor will it alter the relative ranking by size of the commercial banks in the relevant geographic market. It will eliminate the gap in size between the third and fourth largest banks in the market, having a positive effect on competition.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are considered satisfactory. However, their inability to branch into Anniston prevents them from competing effectively with the larger Anniston banks, limiting their growth. The proposed consolidation will increase the convenience and better meet the needs of the customers of both banks. The customers of First will have additional office locations and access to automated teller machines and the customers of Central will have a newer, more spacious head office in which to

conduct their business. Consequently, the resulting bank's ability to effectively compete with the banks in Anniston enhance its future prospects

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will have no significant adverse effect on competition in the relevant market. Accordingly, the application is approved.

July 23, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would be not significantly adverse to competition.

* * *

SOCIETY NATIONAL BANK,
Cleveland, Ohio, and The Second National Bank of Ravenna, Ravenna, Ohio

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Second National Bank of Ravenna, Ravenna, Ohio (350), with...	\$ 82,770,772	5	_____
and Society National Bank, Cleveland, Ohio (14761), which had...	2,127,358,745	50	_____
merged September 20, 1982, under charter and title of the latter. The merged bank at date of merger had...	2,207,583,972	_____	55

COMPTROLLER'S DECISION

The Second National Bank of Ravenna, Ravenna, Ohio, and Society National Bank, Cleveland, Ohio, are majority-owned and controlled by Society Corporation, Cleveland, Ohio, a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' rec-

ords of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger

July 2, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would be not significantly adverse to competition

* * *

THE NATIONAL STATE BANK,
Elizabeth, N.J., and Jersey Shore Bank, Long Branch, N.J.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Jersey Shore Bank, Long Branch, N.J., with.....	\$ 49,591,000	4	_____
was purchased September 24, 1982, by The National State Bank, Elizabeth, N.J. (1436), which had.....	938,354,000	43	_____
After the purchase was effected, the receiving bank had.....		_____	47

COMPTROLLER'S DECISION

On May 26, 1982, an application was filed with the OCC for prior authorization for The National State Bank, Elizabeth, N.J. (NSB), to purchase the assets and assume the liabilities of Jersey Shore Bank, Long Branch, N.J. (JSB). The application is based on an agreement finalized between NSB and JSB on April 2, 1982.

As of December 31, 1981, NSB, an independent bank, held total deposits of \$794 million and operated 43 offices in central New Jersey. As of the same date, JSB, also an independent bank, held total deposits of \$44 million and operated four offices in Monmouth County, N.J.

The proponents do not currently compete directly. Therefore, consummation of this proposal will have no significant effect on existing competition in the relevant market. The relevant geographic market for this proposal is the east-northeastern portion of Monmouth County, N.J., the area in which JSB operates its offices and derives the bulk of its business. NSB operates no offices in that area and the closest offices of NSB and JSB are 20 miles apart. NSB derives no measurable business from the market of JSB. Consequently, consummation of this proposal will merely replace one com-

petitor in the relevant market with another, and allow NSB to expand into a market it currently does not serve.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are considered satisfactory. The future prospects of the proponent banks independently, and in combination, are favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not lessen competition in the relevant market. Accordingly, the application is approved.

August 24, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would be not significantly adverse to competition.

* Asset figures are from the June 30, 1982, report of condition. Information as of date of consummation was not available at press time.

* * *

DOMINION NATIONAL BANK OF GREATER HAMPTON ROADS,
Norfolk, Va., and Southampton County Bank, Courtland, Va., and Bank of Smithfield, Smithfield, Va.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Bank of Smithfield, Smithfield, Va., with.....	\$ 31,528,000	3	_____
and Southampton County Bank, Courtland, Va., with.....	35,622,000	4	_____
and Dominion National Bank of Greater Hampton Roads, Norfolk, Va. (15461), which had.....	198,632,000	20	_____
merged September 26, 1982, under charter and title of the latter. The merged bank at date of merger had.....		_____	27

COMPTROLLER'S DECISION

Bank of Smithfield, Smithfield, Va., Southampton County Bank, Courtland, Va., and Dominion National Bank of Greater Hampton Roads, Norfolk, Va., are majority-

owned and controlled by Dominion Bankshares Corporation, a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

* Asset figures are from the June 30, 1982, report of condition. Information as of date of consummation was not available at press time.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger
August 24, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would be not significantly adverse to competition.

* * *

THE FIRST NATIONAL BANK OF ATLANTA,
Atlanta, Ga., and Macon Bank & Trust Company, Macon, Ga.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Macon Bank & Trust Company, Macon, Ga., with.....	\$ 22,676,000	3	_____
and The First National Bank of Atlanta, Atlanta, Ga. (1559), which had.....	3,311,000,000	78	_____
merged September 30, 1982, under charter and title of the latter. The merged bank at date of merger had.....	3,329,272,000	_____	81

COMPTROLLER'S DECISION

On May 27, 1982, application was made to the OCC for authority to merge Macon Bank & Trust Company, Macon, Ga (Macon) into The First National Bank of Atlanta, Atlanta, Ga (First). The application is based on an agreement finalized between the banks on March 23, 1982

As of March 31, 1982, Macon, an independent bank, held total deposits of \$20.9 million and operated three offices, all in Macon. As of the same date, First held total deposits of \$2.2 billion and operated 69 offices in metropolitan Atlanta and eight offices in Augusta. First is majority-owned and controlled by First Atlanta Corporation, Atlanta, Ga., the second largest bank holding company in Georgia

The proponents do not currently compete directly and, therefore, consummation of the proposal will not have a significant effect on existing competition in the relevant geographic market. Macon derives 84 percent of its deposits from Bibb County, the relevant market. Macon is the smallest of the five commercial banks operating in Bibb County with a 4.1 percent share of market deposits. First obtains an insignificant amount of deposits (less than 1 percent of its deposits and less than 1 percent of market deposits) from the market and the closest offices of First and Macon are 68 miles apart. Under Georgia law, First may enter Bibb County only by acquiring an existing bank. Consummation of this proposal will allow First to enter Bibb County and

will merely substitute one competitor in the market with a significantly stronger institution.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." The financial and managerial resources of both banks are considered satisfactory. The future prospects of the proponents, individually and combined, are considered favorable. The resulting bank, due to its more extensive banking services and the financial strength of its parent, is expected to enhance competition in the market.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not have a significant effect on competition in the relevant market. Accordingly, the application is approved
August 25, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would be not significantly adverse to competition.

* * *

THE FIRST NATIONAL BANK OF OPP,
Opp, Ala., and The Bank of Florala, Florala, Ala.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Bank of Florala, Florala, Ala. with	\$20,840,970	1	
and The First National Bank of Opp, Opp, Ala. (7985), which had	69,969,660	1	
merged September 30, 1982, under charter of the latter and title "First National State Bank of South Jersey." The merged bank at date of merger had	90,810,630		2

COMPTROLLER'S DECISION

The Bank of Florala and The First National Bank of Opp are majority-owned and controlled by First National Bancorp of the South, Inc., Opp, Ala., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

A protest was received regarding the resulting bank's proposed title, "First National Bank of the South." This Office considered the comments but determined that the protest was without merit and that the proposed title is acceptable.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.

August 26, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would be not significantly adverse to competition.

* * *

FIRST NATIONAL STATE BANK OF SOUTH JERSEY,
Moorestown, N.J., and First National State Bank of West Jersey, Burlington Township, N.J.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
First National State Bank of South Jersey, Moorestown, N.J. (13039), with	\$624,767,000	41	
and First National State Bank of West Jersey, Burlington Township, N.J. (1222), which had	272,237,000	14	
merged September 30, 1982, under charter of latter and title "First National State Bank of South Jersey." The merged bank at date of merger had			55

COMPTROLLER'S DECISION

First National Bank of South Jersey and First National State Bank of West Jersey are majority-owned and controlled by First National State Bancorporation, a registered bank holding company. The proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.

August 25, 1982

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would be not significantly adverse to competition.

* Assets are from the June 30, 1982 report of condition. Information as to date of consolidation was not available at previous time.

* * *

II. Mergers consummated involving a single operating bank.

Because of space limitations, the *Quarterly Journal* will no longer carry the Comptroller's Decision or the Summary of Report by Attorney General for transactions involving a single operating bank if the standard text below is used

COMPTROLLER'S DECISION

* * * Bank is being organized by * * *, a bank holding company. The merger of * * * Bank into * * * (organizing) Bank is a part of a process whereby * * * (holding company), will acquire 100 percent (less directors' qualifying shares) of * * * Bank. The merger is a vehicle for a bank holding company acquisition and combines a non-operating bank with an existing commercial bank. As such, it presents no competitive issues under the Bank Merger Act, 12 USC 1828(c).

The financial and managerial resources of both proponents and the future prospects of the resulting bank are favorable. After the merger, the resulting bank will be in the position to draw on the financial and managerial resources of its new corporate parent. This will permit it to more effectively serve the convenience and needs of its community.

A review of the record of this application and other information available to this Office as a result of its

regulatory responsibilities revealed no evidence that the applicant's record of helping to meet the credit needs of the entire community, including low and moderate income neighborhoods, is less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicants to proceed with the proposed merger.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which the * * * Bank would become a subsidiary of * * *, a bank holding company. The instant transaction would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by * * * (holding company), it would have no effect on competition.

THE CENTRAL NATIONAL BANK OF STERLING,
Sterling, Ill., and Central Finance National Bank of Sterling, Sterling, Ill.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Central National Bank of Sterling, Sterling, Ill. (14366), with.....	\$140,052,000	2	_____
and Central Finance National Bank of Sterling, Sterling, Ill. (14366), which had.....	120,000	0	_____
merged July 1, 1982, under charter of the latter and title of the former. The merged bank at date of merger had.....		_____	2
The resulting bank is a subsidiary of Central of Illinois, Inc., Sterling, Ill.			

* Asset figures are from the organizing information for the organizing bank and from the June 30, 1982, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

FIRST NATIONAL BANK OF OPELOUSAS,
Opelousas, La., and First National Bank of St. Landry Parish, Opelousas, La.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
First National Bank of Opelousas, Opelousas, La. (16200), with.....	\$74,385,000	4	_____
and First National Bank of St. Landry Parish, Opelousas, La. (16200), which had.....	120,000	0	_____
merged July 1, 1982, under charter and title of the latter bank. The merged bank at date of merger had.....		_____	4
The resulting bank is a subsidiary of First Bancshares of St. Landry, Inc., Opelousas, La.			

* Asset figures are from the organizing information for the organizing bank and from the June 30, 1982, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

THE MERCHANTS NATIONAL BANK OF TOPEKA,
Topeka, Kans., and The Merchants Bank of Topeka, National Association, Topeka, Kans.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Merchants National Bank of Topeka, Topeka, Kans. (3909), with.....	\$210,938,000	3	_____
and The Merchants Bank of Topeka, National Association, Topeka, Kans. (3909), which had.....	240,000	0	_____
merged July 1, 1982, under charter of the latter and title of the former. The merged bank at date of merger had.	211,178,000	_____	3
The resulting bank is a subsidiary of Merchants Bancorporation, Topeka, Kans.			

* * *

THE FIRST NATIONAL BANK OF TOMS RIVER, N.J.,
Toms River, N.J., and Second First National Bank of Toms River, N.J., Toms River, N.J.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Toms River, N.J., Toms River, N.J. (2509), with.....	\$630,670,511	25	_____
and Second First National Bank of Toms River, N.J., Toms River, N.J. (2509), which had.....	120,000	0	_____
merged July 12, 1982, under charter of the latter and title of the former. The merged bank at date of merger had.	630,670,511	_____	25
The resulting bank is a subsidiary of Statewide Bancorp, Toms River, N.J.			

* * *

FIRST NATIONAL BANK OF VENICE,
Venice, Fla., and Interim First National Bank of Venice, Venice, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National Bank of Venice, Venice, Fla. (15071), with.....	\$168,092,000	6	_____
and Interim First National Bank of Venice, Venice, Fla. (15071), which had.....	120,000	0	_____
merged July 15, 1982, under charter of the latter and title of the former. The merged bank at date of merger had.	168,092,000	_____	6
The resulting bank is a subsidiary of Florida Westcoast Bank, Inc., Venice, Fla.			

* * *

METROPOLITAN NATIONAL BANK,
Little Rock, Ark., and The Metropolitan National Bank, Little Rock, Ark.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Metropolitan National Bank, Little Rock, Ark. (15836), with.....	\$57,794,000	2	_____
and The Metropolitan National Bank, Little Rock, Ark. (15838), which had.....	240,000	0	_____
merged July 15, 1982, under charter of the latter and title of the former. The merged bank at date of merger had.....		_____	2
The resulting bank is a subsidiary of Metropolitan National Bancshares, Inc., Little Rock, Ark.			

* Assets figures are from the organizing information for the organizing bank and from the June 30, 1982, report of condition for the operating bank. The resulting bank's information was not available at press time.

FORT WAYNE NATIONAL BANK,
Fort Wayne, Ind., and Fort Wayne Bank - National Association, Fort Wayne, Ind.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Fort Wayne National Bank, Fort Wayne, Ind. (13818), with.....	\$557,993,778	15	_____
and Fort Wayne Bank - National Association, Fort Wayne, Ind. (13818), which had.....	240,000	0	_____
merged July 20, 1982, under charter of the latter and title of the former. The merged bank at date of merger had.....	557,993,778	_____	15
The resulting bank is a subsidiary of Fort Wayne National Corporation, Fort Wayne, Ind.			

* * *

CENTENNIAL BANK OF PUEBLO,
Pueblo, Colo., and Central Bank of Pueblo, Pueblo, Colo.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Centennial Bank of Pueblo, Pueblo, Colo., with.....	\$11,522,000	1	_____
and Central Bank of Pueblo, National Association, Pueblo, Colo. (17371), which had.....	2,239,000	0	_____
merged July 22, 1982, under charter and title of the latter. The merged bank at date of merger had.....	13,309,000	_____	1
The resulting bank is a subsidiary of Central Bancorporation, Denver, Colo.			

* * *

COMMERCIAL NATIONAL BANK OF KANSAS CITY,
Kansas City, Kans., and Commercial Bank of Kansas City, National Association, Kansas City, Kans.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Commercial National Bank of Kansas City, Kansas City, Kans. (6311), with.....	\$257,493,594	2	_____
and Commercial Bank of Kansas City, National Association, Kansas City, Kans. (6311), which had.....	240,000	0	_____
merged July 26, 1982, under charter of the latter and title of the former. The merged bank at date of merger had.....	257,733,594	_____	2
The resulting bank is a subsidiary of CNB Financial Corporation, Kansas City, Kans.			

* * *

PEOPLES BANK OF MISSISSIPPI, NATIONAL ASSOCIATION,
Union, Miss., and P.B. National Bank, Union, Miss.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
P.B. National Bank, Union, Miss. (16194), with.....	\$ 60,000	0	_____
and Peoples Bank of Mississippi, National Association, Union, Miss. (16194), which had.....	191,620,136	20	_____
consolidated July 26, 1982, under charter and title of the latter. The consolidated bank at date of consolidation had.....	191,680,136	_____	20
The resulting bank is a subsidiary of Peoples Capital Corporation, Union, Miss.			

* * *

BUFFALO GROVE NATIONAL BANK,
Buffalo Grove, Ill., and Continental Illinois National Bank of Buffalo Grove, Buffalo Grove, Ill.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Buffalo Grove National Bank, Buffalo Grove, Ill. (16431), with.....	\$42,494,000	1	_____
and Continental Illinois National Bank of Buffalo Grove, Buffalo Grove, Ill. (16431), which had.....	120,000	0	_____
merged July 28, 1982, under charter of the latter and title of the former. The merged bank at date of merger had.....		_____	1
The resulting bank is a subsidiary of Continental Illinois Corporation, Buffalo Grove, Ill.			

* Asset figures are from the organizing information for the organizing bank and from the June 30, 1982 report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

THE CHARLESTON NATIONAL BANK,
Charleston, Ill., and First Charleston National Bank, Charleston, Ill.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Charleston National Bank, Charleston, Ill. (14024), with.....	\$96,124,000	2	_____
and First Charleston National Bank, Charleston, Ill. (14024), which had.....	120,000	0	_____
merged July 31, 1982, under the charter of the latter and title of the former. The merged bank at date of merger had.....		_____	2
The resulting bank is a subsidiary of Mid-Central Bancshares Corporation, Charleston, Ill.			

* Asset figures are from the organizing information for the organizing bank and from the June 30, 1982 report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

FIRST FARMERS AND MERCHANTS NATIONAL BANK OF TROY,
Troy, Ala., and First Alabama Bank of Troy, National Association, Troy, Ala.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First Farmers and Merchants National Bank of Troy, Troy, Ala. (5593), with.....	\$56,501,214	3	_____
and First Alabama Bank of Troy, National Association, Troy, Ala. (5593), which had.....	120,000	0	_____
merged July 31, 1982, under charter and title of the latter. The merged bank at date of merger had.....	56,621,214	_____	3
The resulting bank is a subsidiary of First Alabama Bancshares, Inc., Montgomery, Ala.			

* * *

FIRST NATIONAL BANK OF HOUMA,
Houma, La., and New First National Bank of Houma, Houma, La.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
New First National Bank of Houma, Houma, La. (14503), with.....	\$ 120,000	0	_____
and First National Bank of Houma, Houma, La. (14503), which had.....	243,703,000	9	_____
consolidated July 31, 1982, under charter and title of the latter. The consolidated bank at date of consolidation had.....	243,703,000	_____	9
The resulting bank is a subsidiary of First National Bancshares, Inc., Houma, La.			

* * *

FOOTHILLS NATIONAL BANK,
Fort Collins, Colo., and The New Foothills National Bank, Fort Collins, Colo.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Foothills National Bank, Fort Collins, Colo. (16909), with.....	\$10,907,870	1	_____
and The New Foothills National Bank, Fort Collins, Colo. (16909), which had.....	240,000	0	_____
merged July 31, 1982, under charter of the latter and title of the former. The merged bank at date of merger had.....	11,147,870	_____	1
The resulting bank is a subsidiary of The First National Bancorporation, Inc., Denver, Colo.			

* * *

FARMERS NATIONAL BANK OF MARYLAND,
Annapolis, Md., and Farmers Bank, National Association, Annapolis, Md.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Farmers National Bank of Maryland, Annapolis, Md. (1244), with.....	\$175,415,000	11	_____
and Farmers Bank, National Association, Annapolis, Md. (1244), which had.....	120,000	0	_____
merged August 1, 1982, under charter of the latter and title of the former. The merged bank at date of merger had.....		_____	11
The resulting bank is a subsidiary of Farmers National Bancorp, Annapolis, Md.			

* Asset figures are from the organizing information for the organizing bank and from the June 30, 1982, report of condition for the operating bank
Information as of date of consummation was not available at press time

* * *

THE FIRST NATIONAL BANK OF GONZALES,
Gonzales, Tex., and New First National Bank of Gonzales, Gonzales, Tex.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Gonzales, Gonzales, Tex. (14756), with.....	\$54,945,150	1	_____
and New First National Bank of Gonzales, Gonzales, Tex. (14756), which had.....	120,000	0	_____
merged August 1, 1982, under charter of the latter and title of the former. The merged bank at date of merger had.....	54,945,150	_____	1
The resulting bank is a subsidiary of Victoria Bancshares, Inc., Victoria, Tex.			

* * *

FIRST EASTERN BANK, NATIONAL ASSOCIATION,
Wilkes-Barre, Pa., and First Eastern Interim Bank, National Association, Wilkes-Barre, Pa.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First Eastern Bank, National Association, Wilkes-Barre, Pa (30), with.....	\$893,448,000	33	_____
and First Eastern Interim Bank, National Association, Wilkes-Barre, Pa (30), which had.....	240,000	0	_____
consolidated August 2, 1982, under charter of the latter and title of the former. The merged bank at date of merger had.....	893,448,000	_____	33
The resulting bank is a subsidiary of First Eastern Corp., Wilkes-Barre, Pa			

* * *

FIRST HARDIN NATIONAL BANK & TRUST,
Elizabethtown, Ky., and FHN Bank, National Association, Elizabethtown, Ky.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First Hardin National Bank & Trust, Elizabethtown, Ky. (6028), with.....	\$135,576,670	10	_____
and FHN Bank, National Association, Elizabethtown, Ky. (6028), which had.....	120,000	0	_____
merged August 2, 1982, under charter of the latter and title of the former. The merged bank at date of merger had.....	135,696,670	_____	10
The resulting bank is a subsidiary of Central Kentucky Bancorp, Inc., Elizabethtown, Ky.			

* * *

FIRST NATIONAL BANK AND TRUST COMPANY OF ROCKFORD,
Rockford, Ill., and Second National Bank and Trust Company of Rockford, Rockford, Ill.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National Bank and Trust Company of Rockford, Rockford, Ill. (479), with.....	\$264,447,024	3	_____
and Second National Bank and Trust Company of Rockford, Rockford, Ill. (479), which had.....	240,000	0	_____
merged August 2, 1982, under charter of the latter and title of the former. The merged bank at date of merger had.....	264,447,024	_____	3
The resulting bank is a subsidiary of First Community Bancorp, Inc., Rockford, Ill.			

* * *

THE LUBBOCK NATIONAL BANK,
Lubbock, Tex., and RepublicBank Lubbock, National Association, Lubbock, Tex.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Lubbock National Bank, Lubbock, Tex. (12683), with.....	\$434,996,966	1	_____
and RepublicBank Lubbock, National Association, Lubbock, Tex. (12683), which had.....	240,000	0	_____
merged August 2, 1982, under charter and title of the latter. The merged bank at date of merger had.....	435,236,966	_____	1
The resulting bank is a subsidiary of Republic of Texas Corporation, Dallas, Tex.			

* * *

NATIONAL BANK OF COMMERCE OF EL DORADO,
El Dorado, Ark., and The National Bank of Commerce of El Dorado, El Dorado, Ark.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
National Bank of Commerce of El Dorado, El Dorado, Ark. (12429), with.....	\$85,314,135	3	_____
and The National Bank of Commerce of El Dorado, El Dorado, Ark. (12429), which had.....	120,000	0	_____
merged August 2, 1982, under charter of the latter and title of the former. The merged bank at date of merger had.....	85,434,135	_____	3
The resulting bank is a subsidiary of NBC Bank Corp., El Dorado, Ark.			

* * *

NORTH TOWNE NATIONAL BANK OF ROCKFORD,
Rockford, Ill., and First Community Bank, National Association, Rockford, Ill.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
North Towne National Bank of Rockford, Rockford, Ill. (15545), with	\$34,393,683	1	_____
and First Community Bank, National Association, Rockford, Ill. (15545), which had	240,000	0	_____
merged August 2, 1982, under charter and title of the latter. The merged bank at date of merger had	34,393,683	_____	1
The resulting bank is a subsidiary of First Community Bancorp, Inc., Rockford, Ill.			

* * *

CITIZENS NATIONAL BANK OF NAPLES,
Naples, Fla., and Naples Interim Bank, National Association, Naples, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Citizens National Bank of Naples, Naples, Fla. (15644), with	\$116,823,532	4	_____
and Naples Interim Bank, National Association, Naples, Fla. (15644), which had	240,000	0	_____
merged August 6, 1982, under charter of the latter and title "Citizens National Bank of Naples, A Flagship Bank." The merged bank at date of merger had	116,823,532	_____	4
The resulting bank is a subsidiary of Flagship Banks, Inc., Miami, Fla.			

* * *

THE UNION NATIONAL BANK OF STREATOR,
Streator, Ill., and First Union National Bank of Streator, Streator, Ill.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Union National Bank of Streator, Streator, Ill. (2176), with	\$83,263,000	2	_____
and First Union National Bank of Streator, Streator, Ill. (2176), which had	500,000	0	_____
merged August 20, 1982, under charter of the latter and title of the former. The merged bank at date of merger had		_____	2
The resulting bank is a subsidiary of First Union Bancorporation, Inc., Streator, Ill.			

* Asset figures are from the organizing information for the organizing bank and from the June 30, 1982, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

THE ANNISTON NATIONAL BANK,
Anniston, Ala., and First Alabama Bank of Anniston, National Association, Anniston, Ala.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Anniston National Bank, Anniston, Ala. (4250), with	\$100,497,079	1	_____
and First Alabama Bank of Anniston, National Association, Anniston, Ala. (4250), which had	120,000	0	_____
merged August 28, 1982, under charter and title of the latter bank. The merged bank at date of merger had	100,617,079	_____	1
The resulting bank is a subsidiary of First Alabama Bancshares, Inc., Montgomery, Ala.			

* * *

LIGHTHOUSE NATIONAL BANK,
Jupiter, Fla., and LNB National Bank, Jupiter, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
LNB National Bank, Jupiter, Fla. (16455), with.....	\$ 60,000	0	_____
and Lighthouse National Bank, Jupiter, Fla. (16455), which had.....	30,173,410	2	_____
consolidated August 30, 1982, under charter and title of the latter bank. The consolidated bank at date of consolidation had.....	30,233,410	_____	2
The resulting bank is a subsidiary of Beacon Financial Corporation, Inc., Jupiter, Fla.			

* * *

CITIZENS FIRST NATIONAL BANK OF TYLER,
Tyler, Tex., and New Citizens First National Bank of Tyler, Tyler, Tex.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Citizens First National Bank of Tyler, Tyler, Tex. (5343), with.....	\$288,904,000	1	_____
and New Citizens First National Bank of Tyler, Tyler, Tex. (5343), which had.....	120,000	0	_____
merged September 1, 1982, under charter of the latter and title of the former. The merged bank at date of merger had.....	284,862,000	_____	1
The resulting bank is a subsidiary of First City Bancorporation of Texas, Inc., Houston, Tex.			

* * *

THE CITIZENS NATIONAL BANK OF WACO,
Waco, Tex., and East Waco National Bank, Waco, Tex.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Citizens National Bank of Waco, Waco, Tex. (3135), with.....	\$343,763,709	1	_____
and East Waco National Bank, Waco, Tex. (3135), which had.....	240,000	0	_____
merged September 1, 1982, under charter of the latter and with the title "RepublicBank Waco, National Association." The merged bank at date of merger had.....	343,763,709	_____	1
The resulting bank is a subsidiary of Republic of Texas Corporation, Waco, Tex.			

* * *

CITY NATIONAL BANK OF BATON ROUGE,
Baton Rouge, La., and CNB National Bank of Baton Rouge, Baton Rouge, La.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
City National Bank of Baton Rouge, Baton Rouge, La. (13737), with.....	\$450,982,920	14	_____
and CNB National Bank of Baton Rouge, Baton Rouge, La. (13737), which had.....	240,000	0	_____
merged September 1, 1982, under charter of the latter and title of the former. The merged bank at date of merger had.....	453,054,807	_____	14
The resulting bank is a subsidiary of City National Bancshares, Inc., Baton Rouge, La.			

* * *

HAYS COUNTY NATIONAL BANK,
San Marcos, Tex., and New Hays County National Bank, San Marcos, Tex.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Hays County National Bank, San Marcos, Tex. (16614), with.....	\$16,974,893	1	_____
and New Hays County National Bank, San Marcos, Tex. (16614), which had.....	120,000	0	_____
merged September 1, 1982, under charter of the latter and title of the former. The merged bank at date of merger had.....	17,094,893	_____	1
The resulting bank is a subsidiary of Victoria Bankshares, Inc.			

* * *

THE NATIONAL BANK OF JACKSON,
Jackson, Mich., and DBT National Bank of Jackson, Jackson, Mich.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The National Bank of Jackson, Jackson, Mich. (13741), with.....	\$278,505,236	18	_____
and DBT National Bank of Jackson, Jackson, Mich. (13741), which had.....	240,000	0	_____
merged September 1, 1982, under charter of the latter and title of the former. The merged bank at date of merger had.....	278,745,236	_____	18
The resulting bank is a subsidiary of DETROITBANK Corporation, Jackson, Mich.			

* * *

NEW BRAUNFELS NATIONAL BANK,
New Braunfels, Tex., and Interim New Braunfels National Bank, New Braunfels, Tex.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
New Braunfels National Bank, New Braunfels, Tex. (16481), with.....	\$36,352,672	1	_____
and Interim New Braunfels National Bank, New Braunfels, Tex. (16481), which had.....	538,426	0	_____
merged September 1, 1982, under charter of the latter and title of the former. The merged bank at date of merger had.....	36,891,098	_____	1
The resulting bank is a subsidiary of Victoria Bankshares, Victoria, Tex.			

* * *

THE FIRST NATIONAL BANK AND TRUST COMPANY OF PLAINFIELD,
Plainfield, Ind., and Second National Bank of Plainfield, Plainfield, Ind.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank and Trust Company of Plainfield, Plainfield, Ind. (7011), with.....	\$79,726,858	4	_____
and Second National Bank of Plainfield, Plainfield, Ind. (7011), which had.....	120,000	0	_____
merged September 6, 1982, under charter of the latter and title of the former. The merged bank at date of merger had.....	79,846,858	_____	4
The resulting bank is a subsidiary of First American National Bancorp.			

* * *

THE FIRST NATIONAL BANK OF RUSSELLVILLE,
Russellville, Ala., and FBG National Bank of Russellville, Russellville, Ala.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Russellville, Russellville, Ala. (11846), with.	\$89,411,889	5	
and FBG National Bank of Russellville, Russellville, Ala. (11846), which had.	120,000	0	
merged September 7, 1982, under charter of the latter and title of the former. The merged bank at date of merger had.	89,531,889		5
The resulting bank is a subsidiary of First Bancgroup—Alabama, Inc., Mobile, Ala.			

* * *

THE MERCHANTS AND PLANTERS NATIONAL BANK OF SHERMAN,
Sherman, Tex., and New Merchants and Planters National Bank of Sherman, Sherman, Tex.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Merchants and Planters National Bank of Sherman, Sherman, Tex. (3159), with.	\$183,696,000	1	
and New Merchants and Planters National Bank of Sherman, Sherman, Tex. (3159), which had.	240,000	0	
merged September 14, 1982, under charter of the latter and title of the former. The merged bank at date of merger had.	183,936,000		1
The resulting bank is a subsidiary of Mercantile Texas Corporation, Dallas, Tex.			

* * *

THE FIRST NATIONAL BANK OF FRANKLIN COUNTY AT DECHERD,
Decherd, Tenn., and First Phantom National Bank, Decherd, Tenn.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Franklin County at Decherd, Decherd, Tenn. (7397), with.	\$36,502,553	4	
and First Phantom National Bank, Decherd, Tenn. (7397), which had.	130,100	0	
merged September 20, 1982, under charter of the latter and title of the former. The merged bank at date of merger had.	36,512,653		4
The resulting bank is a subsidiary of Franklin First National Corporation, Decherd, Tenn.			

* * *

THE COLORADO NATIONAL BANK OF DENVER,
Denver, Colo., and The New Colorado National Bank of Denver, Denver, Colo.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The New Colorado National Bank of Denver, Denver, Colo. (1651), with.	\$ 240,000	0	
and The Colorado National Bank of Denver, Denver, Colo. (1651), which had.	1,182,477,539	1	
consolidated September 27, 1982, under charter and title of the latter bank. The consolidated bank at date of consolidation had.	1,182,717,539		1
The resulting bank is a subsidiary of Colorado National Bankshares, Inc., Denver, Colo.			

* * *

NORTHEAST COLORADO NATIONAL BANK OF DENVER,
Denver, Colo., and Colorado National Bank - Northeast, Denver, Colo.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Northeast Colorado National Bank of Denver, Denver, Colo. (15114), with	\$38,894,021	2	_____
and Colorado National Bank - Northeast, Denver, Colo. (15114), which had	240,000	0	_____
consolidated September 27, 1982, under charter and title of the latter bank. The consolidated bank at date of consolidation had	39,134,021	_____	2
The resulting bank is a subsidiary of Colorado National Bankshares, Inc., Denver, Colo.			

* * *

SOUTH COLORADO NATIONAL BANK,
Denver, Colo., and Colorado National Bank - South, Denver, Colo.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
South Colorado National Bank, Denver, Colo. (15326), with	\$21,454,184	1	_____
and Colorado National Bank - South, Denver, Colo. (15326), which had	240,000	0	_____
consolidated September 27, 1982, under charter and title of the latter. The consolidated bank at date of consolidation had	21,694,184	_____	1
The resulting bank is a subsidiary of Colorado National Bankshares, Inc., Denver, Colo.			

* * *

THE FIRST NATIONAL BANK OF AKRON,
Akron, Iowa, and First Bank of Akron, National Association, Akron, Iowa

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Akron, Akron, Iowa (7322), with	\$19,094,000	1	_____
was purchased September 30, 1982, by First Bank of Akron, National Association, Akron, Iowa (7322), which had	1,830,000	0	_____
After the purchase was effected, the receiving bank had		_____	1
The resulting bank is a subsidiary of Security National Corporation, Sioux City, Iowa.			

* Asset figures are from the organizing information for the organizing bank and from the June 30, 1982, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

THE NEWPORT NATIONAL BANK,
Newport, Ky., and NN National Bank, Newport, Ky.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Newport National Bank, Newport, Ky. (4765), with	\$63,808,000	5	_____
and NN National Bank, Newport, Ky. (4765), which had	120,000	0	_____
merged September 30, 1982, under charter of the latter and title of the former. The merged bank at date of merger had	63,798,000	_____	5
The resulting bank is a subsidiary of New Bancshares, Inc.			

* * *

Interpretive Letters—July 15 to September 15, 1982

<i>Topic</i>	<i>Letter No.</i>
Laws	
12 USC 86a	249
12 USC 371c	247, 248
12 USC 372	248
12 USC 373	248
12 USC 375b	247
Regulations	
12 CFR 7.7516	247
Subject	
Usury	249

This is in response to your letter of February 12, 1982, to Richard V. Fitzgerald, Director, Legal Advisory Services Division, in which you raise several questions regarding * * *, a Brazilian bank, which recently established a federal branch in New York. As I understand the facts, the shares of the bank are owned "in large part" by an individual indirectly through a number of holding companies. The individual in question will also become the major shareholder in * * *, a trading company in the process of incorporation. There is no reciprocal ownership of stock between the bank and the trading company, although they are affiliated through the ownership of the individual shareholder mentioned above.

On behalf of your client, you request our advice on several legal matters. The first question is whether the bank's federal branch in New York may permit * * * to rent, for a nominal sum, a limited amount of space in its New York branch office. You state that the sharing of space will "last until the Trading Company has established itself and, in any event, no more than two years." According to your letter, it is unclear at this time whether the trading company will have its own entrance and separate offices on the premises of the bank or whether the employees will simply use space in the bank with a * * * sign at the entrance to the area. You indicate that the trading company would likely have between six and ten employees. In addition, you state that the trading company will have its own telephone numbers; however, if permissible, the bank would pay all or a portion of the cost of the telephones used by the trading company. You ask if these proposed arrangements are permissible.

Interpretive Ruling 7.7516 (12 CFR 7.7516) governs the sharing of bank quarters by a national bank. The ruling provides that a national bank may share space with another financial institution, provided the operations of both are separately identified and maintained within the space used jointly by the institutions. The interpretation also mandates that the assets and records of each institution be segregated. In addition, the ruling permits an active officer or employee of one institution to perform work for the other institution pursuant to an agency agreement, and under such conditions as would insure disclosure of the agency relationship to customers of either institution.

In my opinion, the trading company may rent space in the bank's New York branch office provided that the space used by each is separately maintained and identified. It is not essential that the trading company have its own entrance or, for that matter, a separately enclosed office. However, the space must be designed to facilitate easy customer identification of the separate facilities and personnel of both the trading company and the bank. Employees of the trading company must not serve customers of the bank unless an agency agreement for the use of trading company personnel has been entered into with the proper disclosures, and vice versa. Separate telephone listings must be maintained consistent with the requirements of Interpretive Ruling 7.7516. In this regard, * * * 's phones may be answered by employees of the bank, if provided for in an agency agreement.

The space must be rented at market rates or rates no less than the federal branch's actual cost, including the pro-rata share of utilities and other variable expenses. * * * 's New York federal branch may not pay the telephone expenses of the trading company. Expenses must be apportioned to reflect actual use of the telephones. To permit the bank to generally subsidize any trading company expenses, particularly on a preferential or extensive basis, could be viewed as a wasting of corporate assets.* As such, it would likely raise safety and soundness questions under 12 USC 1818(b).

Your second question is whether * * * may extend credit to * * * on terms which are more favorable than those offered to the general public; that is, whether the provisions of 12 USC 375b(3) (Section 22(h)(3) of the Federal Reserve Act) are applicable to loans made by the federal branch of * * * to * * *. Section 375b(1) places restrictions on the loans which can be made by a member bank to its executive officers, directors and principal shareholders, among other entities. Section 375b(3) specifically requires that loans made to such individuals and other entities be on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions. By its terms, 12 USC 375b applies to loans made by a member bank. As such, you contend that the statute is inapplicable to a U.S. branch or agency of a foreign bank since the term "member bank," as defined in Regulation O (12 CFR 215.2(g)), does not include a foreign bank that maintains a branch in the United States.

In a 1980 precedent letter, we rendered the opinion that 12 USC 375b was inapplicable to a U.S. branch or agency of a foreign bank. Fed. Banking L. Rep. (CCH) ¶85,220 (1980). A copy of this opinion is enclosed for your review. The opinion is based primarily on an analysis of the International Banking Act of 1978 (12 USC 3101-3108); the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (Pub. L. No. 95-630) ("FIRA"); and regulations implementing the latter statute. Specifically, we expressed the view that Title I of FIRA (Section 104 of Title I is the same as 12 USC 375b) was inapplicable to a U.S. branch or agency of a foreign bank. Similarly, we stated that the reporting requirements of Title VIII of FIRA (12 USC 1972(2)(G)) (correspondent accounts) and Title IX of FIRA (12 USC 1817(k)(1)) (disclosure of material facts) were inapplicable to such offices of foreign banks. We noted, however, that the substantive provisions on preferential lending contained in Title VIII of FIRA (12 USC 1972(2)(A)-(F)) (correspondent accounts) would be applicable to U.S. branches and agencies of a foreign bank. Therefore, the New York branch of * * * would not be subject to 12 USC 375b(3) when lending to * * *.

The third question of concern to your client is whether 12 USC 371c, which governs loans by a member bank to its affiliates, is applicable to extensions of credit from * * * 's New York federal branch to * * *. In our opinion, the statute is inapplicable to such extensions of credit.

* However, we would not be concerned if the federal branch of * * * paid certain *de minimus* expenses of * * *.

This conclusion is based on an analysis of 12 USC 1828(j)(1) (Section 108 of FIRA) which makes Section 371c applicable to dealings between a nonmember insured bank and its affiliates to the same extent as if such nonmember insured bank were a member bank. Section 1828(j)(1), however, states in pertinent part that "the provisions of this subsection shall not apply to any foreign bank having any insured branch with respect to dealings between such bank and any affiliate thereof." The phrase "such bank" refers to the insured federal branch of the foreign bank and not the foreign bank located overseas. Your letter does not indicate whether the federal branch of * * * in New York is insured. Nevertheless, this Office generally believes that Section 371c is inapplicable to transactions between a federal branch and its affiliates, whether or not the bank is insured by the Federal Deposit Insurance Corporation. An analogous position was taken in the penultimate paragraph of the letter published at (CCH) ¶85,220, *supra*, which stated that applicability of Regulation O (12 CFR 215) to a branch of a foreign bank would not vary depending on whether the branch is federally or state chartered and insured or uninsured.

The above opinion regarding the applicability of 12 USC 371c finds support in the omission of any reference to Section 371c in our "Policy statement on applicability of national banking laws to foreign banks operating at federal branches and agencies in the United States," 12 CFR 28.101. Subsection 5 of this interpretation lists various statutory limitations and restrictions tied to capital and surplus which are applicable to federal branches and agencies. Although the provisions of 12 USC 82 (indebtedness), 371d (investment in bank premises) and 372 (acceptances), for example, are specifically made applicable to federal branches, Section 371c (loans to affiliates) is not.

You also ask "assuming that 12 USC 371c applies to federal branches, could * * * in Brazil extend credit to * * * in the U.S. free of any restrictions imposed by U.S. law." (Emphasis supplied.) We have already offered the opinion that Section 371c would not be applicable to U.S. branches or agencies of foreign banks. Similarly, Section 371c would not apply to loans by * * * in Brazil to * * * in the U.S. A primary reason is that * * * in Brazil is not a member bank.

For the same reason, it is probable that no U.S. banking laws would be applicable to transactions between * * * in Brazil and * * *. However, we cannot state with precision which laws, banking or otherwise, would be applicable because of the generality of your inquiry. Your question of whether such loans could be made "free of any restrictions imposed by U.S. law" is very broad and somewhat unclear. As you know, it is difficult to hypothesize questions and answers that will address all situations in the abstract. Therefore, if you could be more specific regarding the proposed transactions between * * * in Brazil and * * *, we may be able to advise you further.

In this regard we note that a clear distinction should be drawn between the applicability of the national banking laws and their implementing rules and regulations to foreign banks operating at federal branches and agencies and to foreign banks conducting business in the

U.S., but from a location overseas, such as the country of incorporation. Jurisdiction over federal branches and agencies of foreign banks is expressly granted to the Comptroller of the Currency by the International Banking Act of 1978 ("IBA") (12 USC 3101-3108). Section 4 of the IBA (12 USC 3102) and the Comptroller's implementing regulations at 12 CFR 28.4 provide that the operations of a foreign bank at a federal branch or agency are to be conducted with the same rights and privileges and shall be subject to the same duties, restrictions, penalties, liabilities, conditions, and limitations that would apply to a national bank at the same location. Implicit in these provisions is the idea that a federal branch or agency of a foreign bank will be subject, because of its operations, to most of the banking laws which are applicable to national banks. For example, if a federal branch or agency of a foreign bank makes loans to a particular borrower such loans will be subject to 12 USC 84 based on the capital and surplus of the parent foreign bank. See 12 CFR 28.5. As indicated above, 12 USC 371c is an exception to this general rule. See 12 CFR 28.101.

This is not to imply, of course, that the New York federal branch of * * * would be subject to all the laws and regulations generally applicable to national banks operating in the same location. We point out in Section 28.101 that certain duties and restrictions will be imposed on a federal branch or agency of a foreign bank only if there is an exercise of specific rights or privileges by the branch. As an illustration, if a federal branch of a foreign bank did not make consumer loans—it is my understanding that many do not—the branch would not be subject to the Truth in Lending Act (15 USC 1601 *et seq.*) and its implementing Regulation Z (12 CFR 226).

On the contrary, it is doubtful that * * * in Brazil would be covered by the banking laws ordinarily applicable to U.S. branches or agencies of foreign banks and national banks operating in the same location. Considerations of sovereignty would likely limit the extraterritorial effect of national banking laws on * * * in Brazil. Again, however, it is not possible to make an absolute statement of exclusion as to all U.S. law.

I trust this is responsive to your inquiry. If you have additional questions, please contact us.

Charles F. Byrd
Assistant Director
Legal Advisory Services Division

* * *

248—July 13, 1982

This is in further response to your letters to us raising questions about certain transactions between [Bank 1] and its affiliate holding company, [Bank 2]. I apologize for the inordinate delay in responding to your inquiry.

[Bank 1] proposes to enter into acceptance financing transactions for [Bank 2] and its clients. It is expected that all acceptances will be eligible for discount by Federal Reserve banks. [Bank 2] has proposed the

following types of acceptance financing transactions involving [Bank 1]:

1. [Bank 1] accepts and purchases drafts drawn on it by [Bank 2].
2. [Bank 1] accepts and purchases drafts drawn on it by customers of [Bank 2] and endorsed by [Bank 2].
3. [Bank 1] accepts and purchases drafts drawn on it by customers of [Bank 2] with a separate guaranty by [Bank 2] covering its customers' underlying obligations to [Bank 1].
4. [Bank 1] accepts and purchases drafts drawn on it by customers of [Bank 2], with [Bank 2] acting as agent for [Bank 1] holding collateral security for the customers' obligations to [Bank 1].

I will discuss the general principles applicable to all these proposals, noting differences in application where appropriate.

Application of 12 USC 371c to [Bank 1's] Acceptances

When a bank accepts a draft drawn by an affiliate and thereby creates an acceptance eligible for discount by the Federal Reserve, neither this Office nor the Federal Reserve Board has interpreted the act of acceptance as creating an extension of credit under 12 USC 371c. See "A Discussion of Amendments to Section 23A of the Federal Reserve Act Proposed by the Board of Governors of the Federal Reserve System," *reprinted in* 124 Cong. Rec. 8335, 8339 (1978). Due to the credit risk involved, however, the Federal Reserve Board proposed in 1978 and again in 1981 that Section 371c be statutorily broadened to cover all acceptances issued for affiliates. See S. 2810, 95th Cong., 2d Sess. §2(2)(f)(v) (1978); S. 1720, 97th Cong., 1st Sess. §210(b) (1981). Congress has yet to act on the proposal. Therefore, at present the interpretation of this Office and the Federal Reserve Board is that the only limits on a national bank's creation of acceptances eligible for discounting by the Federal Reserve which are issued for an affiliate as in your proposals are those contained in 12 USC 372 and 373.

Purchase of Acceptances by [Bank 1]

Under proposals 1 and 2, [Bank 1] would create acceptances, then purchase them and, according to [Bank 2's] instructions, credit either [Bank 2] or a third party with the net proceeds. [Bank 1] would then either sell the acceptances or hold them in portfolio until maturity. At maturity [Bank 1] would look to [Bank 2] as primary obligor for reimbursement, regardless of whether [Bank 2] is the drawer or the endorser.

When a national bank purchases an acceptance drawn by an affiliate as under proposal 1, an extension of credit subject to 12 USC 371c arises. This much is clear. Your other proposals, however, require further analysis.

In my opinion, the fact that an accepted draft drawn by a non-affiliate carries the endorsement of an affiliate would not, in and of itself, make a national bank's purchase of the acceptance an extension of credit to the endorsing affiliate subject to 12 USC 371c. This assumes that no part of the proceeds from the purchase are used for the benefit of or transferred to the affiliate. In your proposal 2, however, it appears that [Bank 1]

would be relying on its affiliate as primary obligor. Under such circumstances, it is my opinion that a national bank's purchase of an acceptance endorsed by an affiliate *would* constitute an extension of credit subject to 12 USC 371c.

Under the above assumption regarding proceeds from purchase, the separate guarantee of the affiliate in your proposal 3 would not, in and of itself, make the national bank's purchase of the accepted draft an extension of credit to the affiliate subject to 12 USC 371c. If the national bank looks to the affiliate as primary obligor for reimbursement, however, I believe the purchase of the accepted draft separately guaranteed by the affiliate *would* constitute an extension of credit subject to 12 USC 371c.

Under your proposal 4, the affiliate merely would act as agent in holding collateral for the national bank creating the acceptance. I assume the affiliate would not be endorser or guarantor of the acceptance. I also assume the national bank would look to the affiliate's customer as primary obligor for reimbursement. Under such circumstances, it is my opinion that the national bank's purchase of the acceptance *would not* constitute an extension of credit subject to 12 USC 371c.

Collateralization under 12 USC 371c

Assume that an extension of credit subject to 12 USC 371c is made under one or more of your proposals. You ask whether acceptances issued by [Bank 1] or its affiliates may serve as collateral satisfying the requirements of the second paragraph of 12 USC 371c. As you note in an attachment to your April 4, 1980 letter, that paragraph exempts from its collateralization margin requirements those extensions of credit secured by bankers' acceptances "eligible for rediscount or for purchase by Federal Reserve banks." This paragraph does not exempt such loans from the capital- and surplus-based limitations specified in the first paragraph of 12 USC 371c.

An examination of the legislative history of the second paragraph of 12 USC 371c does not provide evidence directly on point to resolve the issue of whether a national bank, in securing an extension of credit subject to 12 USC 371c, may hold as adequate collateral an acceptance which was created by itself or any of its affiliates. Nor have we located any published interpretations of the Federal Reserve Board which provide any specific guidance on this issue. See, e.g., 20 Fed. Res. Bull. 391 (1934). Therefore, I address this issue with the objectives of 12 USC 371c in mind.

The statute aims at preventing the overutilization of a bank's resources in transactions with affiliates, by placing restrictions on the amount of the bank's assets that can be used to benefit its affiliates. These restrictions are to protect the bank and to prevent its affiliates from having an unfair advantage over their competitors through favorable access to credit. Congress recognized that a bank's transactions with its affiliates could be made less risky for the lending bank through the use

Hereinafter, the term "eligible acceptance" refers to bankers' acceptances eligible for rediscount or for purchase by the Federal Reserve

of certain types of marketable collateral, such as eligible acceptances. The statute does not specifically state, however, whether such acceptances must be created by a non-affiliated entity in order to qualify for the exception to the collateralization margin requirements in the second paragraph of 12 USC 371c.

[Bank 2's] Pledge of Acceptances Created by Unaffiliated Entities

Clearly, a national bank may satisfy the collateral requirements of 12 USC 371c by holding as collateral an eligible acceptance of sufficient amount—*i.e.*, 100 percent of the extension of credit—if the acceptance is created by a non-affiliate. Thus, [Bank 1] may satisfy the collateral requirements of the statute by taking as collateral eligible acceptances created by unaffiliated entities.

[Bank 2's] Pledge of Acceptances Drawn and Accepted by Affiliates

I understand that the Acceptance Desk of the Federal Reserve Bank of New York does not consider “one-name paper”—*i.e.*, time drafts drawn and accepted by affiliated entities such as [Bank 2] and [Bank 1]—to be eligible for purchase or rediscount by Federal Reserve Banks. Thus, I do not believe that a national bank can meet the collateralization requirements of 12 USC 371c by holding acceptances as collateral if such acceptances are drawn by an affiliate and accepted by either the national bank (as in your proposal 1) or by another affiliate.

The remainder of this analysis assumes that the collateral proposed to satisfy the collateral exception in the second paragraph of 12 USC 371c is two-name paper, *i.e.*, either a [Bank 2] acceptance of a draft drawn by an unaffiliated entity; an acceptance by another affiliate of [Bank 1] of a draft drawn by an unaffiliated entity; or a [Bank 1] acceptance of a draft drawn by an unaffiliated entity.

[Bank 2's] Pledge of Acceptances Created by [Bank 2]

The default of an affiliate on an extension of credit will normally terminate the marketability of bankers' acceptances created by that affiliate. Therefore, I do not believe that the pledging of acceptances created by a borrowing affiliate satisfies the exception to the collateralization margin requirements of 12 USC 371c for an extension of credit to that affiliate. The exception in the second paragraph of the statute envisions collateral that is readily marketable in the event of a default by the borrowing affiliate. If [Bank 2] were to default on an extension of credit from [Bank 1] acceptances created by [Bank 2] would not provide adequate security, because as a practical matter they would likely become unmarketable. Thus, in my opinion the subject collateral exception to 12 USC 371c is not satisfied by holding, in sufficient amount, an eligible acceptance created by an affiliate securing an extension of credit to that same affiliate.

[Bank 2's] Pledge of Acceptances Created by Other Subsidiaries

I assume [Bank 2] would not default on an extension of credit from [Bank 1] if [Bank 2] were solvent. Because the insolvency of a bank holding company such as [Bank 2] will normally render acceptances created by its subsidiaries unmarketable, I do not believe the pledging of such acceptances provides the level of security contemplated by Congress. Thus, in my opinion the use of such collateral would not satisfy the subject exception to the collateralization requirements of 12 USC 371c.³

[Bank 2's] Pledge of Acceptances Created by [Bank 1]

When an affiliate pledges an eligible acceptance to a national bank, and that bank is the same bank which created the acceptance, I believe that the collateral satisfies the subject exception to the collateral requirements of 12 USC 371c. The national bank extending credit under such circumstances, upon a default by its affiliate on the loan, would offset the pledged acceptance against the affiliate's defaulted obligation. The bank's cancelled liability on the acceptance would completely offset the defaulted asset. Thus, [Bank 1] may satisfy the subject exception to the collateral requirements of 12 USC 371c by taking as collateral eligible acceptances which it created. [Bank 1] would, of course, continue to hold the drawer's reimbursement obligation arising from the acceptance credit agreement underlying the accepted draft. The offsetting of the *acceptance* liability of the bank would not affect the bank's right to reimbursement from its account party.

[Bank 2's] Pledge of the Same Acceptance Out of Which the Extension of Credit Arises

When an extension of credit subject to 12 USC 371c arises from the purchase of an acceptance, that acceptance is taken into the portfolio of the accepting bank. The borrowing affiliate cannot satisfy the subject exception to the collateralization requirements of 12 USC 371c by pledging that acceptance, which is already in the portfolio of the lending bank. The affiliate would be pledging that which it does not own. Such a “pledge” would provide no security whatsoever in the event of a default by the affiliate.

Application of 12 USC 372 and 373 to [Bank 1]

Under all four of your proposals, while its acceptances are in the market [Bank 1] would be subject to the “per customer” and “aggregate” limitations of 12 USC 372 (or the separate limitations of 12 USC 373).

Concerning proposal 4, I note that [Bank 2] may not be the “borrower,” or its control over goods in storage will make acceptances created in connection with the sale of such goods ineligible. See 4 Fed. Res. Bull. 31 (1918); 64 Fed. Res. Bull. 486 (1978); 12 CFR 201.110 (1980). If [Bank 1] were to credit the proceeds from the discount of acceptances per [Bank 2's] instructions and

³ For purposes of this letter I assume without deciding that a foreign bank, entity like [Bank 2] may create eligible acceptances.

⁴ For purposes of this letter I assume without deciding that other subsidiaries of [Bank 2] may create eligible acceptances.

rely on [Bank 2] for ultimate repayment, [Bank 2] may be the true "borrower" even though it is not liable on the acceptance. This would not be the case however if, as I have assumed in your proposal 4, [Bank 1] would look to [Bank 2's] customer as primary obligor. Furthermore, the Acceptance Division of the Federal Reserve Bank of New York has informed us that an agency arrangement as presented in your proposal 4 can constitute "actual security" which exempts an acceptance from the 10 percent per customer limitation of 12 USC 372. This would occur only when the foreign-based agent holds a security interest in the collateral which gives that agent the same rights to recover from an insolvent drawer that a domestic accepting bank holding a perfected security interest or other "actual security" in collateral would have under the Uniform Commercial Code and applicable state law.

I trust this has been responsive to your inquiry.

Charles F. Byrd
Assistant Director
Legal Advisory Services Division

* * *

249—August 20, 1982

This is in response to your letter dated May 18, 1982, which requests the opinion of this Office on several questions regarding the application of Section 511 of the Depository Institutions Deregulation and Monetary Control Act of 1980 (Section 511). Your letter was referred to my attention.

Under Section 511, codified at 12 USC 86a, a national bank may make a business or agricultural loan at an interest rate not greater than 5 percent in excess of the discount rate on 90-day commercial paper, including any surcharge thereon, in effect at the Federal Reserve bank in the Federal Reserve district where the bank is located. In order for a national bank to charge the rate allowable under Section 511, Section 512 of the same Act requires that the loan be made during the period beginning on April 1, 1980, and ending on the earlier of April 1, 1983, or the date on which the state in which the bank is located has explicitly rejected the provisions of Part B of Title V of the Act. As originally enacted, Sections 511 and 512 also required that the loan be in the amount of \$25,000 or more. Section 324(c) of Pub. L. No. 96-399 reduced this amount to \$1,000 or more for loans made on or after October 8, 1980.

You request that our response be restricted to the application of Section 511, regardless of whether other statutes or regulations might apply to the questions you present. Accordingly, the following responses are limited in this manner. Please also note that, to my knowledge, most of the questions you raise have not been addressed by either Congress or the courts. Therefore, unless otherwise indicated, the following responses reflect only my opinion as to the appropriate interpretation of this statute. Each of your questions is set forth and addressed in turn.

1. *As you know, Section 511 expires by its own terms on April 1, 1983. Can the Bank charge a fixed interest rate based on Section 511 in excess of the state permitted rate for a term extending beyond April 1, 1983?*

I find nothing in the legislative history of Section 511 to suggest that Congress intended to restrict loans made under this provision to terms ending on or before April 1, 1983. Such a restrictive interpretation would severely limit the types of loans which could be made free from state usury laws, particularly as the expiration date draws closer. Therefore, I conclude that Section 511 imposes no restriction on the term of a fixed-interest loan made at a rate in excess of that permitted by the state.

2. *If the Bank makes a fixed interest rate loan in excess of the rate permitted under state law in reliance on Section 511, can the Bank continue to charge that rate over the term of the loan, notwithstanding a later decrease in the rate permitted under Section 511?*

In the past, this Office has taken the position that a contract which is valid when made is not invalidated by a subsequent change in law regarding the usury ceiling. Therefore, a fixed-interest loan at a rate in excess of the state-permitted rate will remain valid throughout its term, even if the rate authorized under Section 511 subsequently decreases below that of the loan. In addition, as discussed above, a lender may continue to charge the fixed rate after April 1, 1983, and need not decrease the interest rate on an existing loan.

3. *Do you have to be the type of creditor which pays the surcharge in order to take advantage of the surcharge in calculating the rate applicable under Section 511?*

The conference report accompanying this legislation provides that "[t]he surcharge is to be included in computing the ceiling as long as it is prescribed by the Federal Reserve, regardless of whether or not it is actually collected against any institution." H.R. Rep. No. 842, 96th Cong., 2d Sess. (1980). This language does not state which creditors are entitled to include the surcharge in calculating the applicable interest ceiling. It does state, however, that a creditor need not pay the surcharge to be entitled to include it in this calculation. If a creditor need not pay the surcharge to include it in the calculation of the interest rate permitted under Section 511, then unless the statute otherwise restricts the category of creditors entitled to this inclusion, it appears that all creditors may include the surcharge. Since the legislative history does not make any statement which would restrict this right, I conclude that all creditors are entitled to include any surcharge prescribed by the Federal Reserve.

4. *What is the applicable date for determining the rate permitted under Section 511? Is it the rate in effect at the date when the loan is committed the date when the loan agreement and/or promissory note are executed or, in the case of a credit line or other loan contemplating a series of advances on the date when the actual advance is made?*

This Office has not taken any position on the applicable date for determining the rate permitted by Section 511. Based on my reading of the statute, it appears that the applicable date will not be the same for all loans; which date (or dates) apply is determined by whether the loan principal is fixed or subject to change, and whether the interest rate is fixed or variable. For fixed-principal, fixed-interest loans, the applicable date is that on which the loan agreement and/or promissory note are executed, *i.e.*, the date of closing. For fixed-principal, variable-rate loans, it appears that the rate must be redetermined each time the interest rate is adjusted or subject to adjustment. For loans contemplating a series of advances, it appears that the rate must be redetermined on the date of each advance unless the contract fixes both the amount to be borrowed and the interest rate.

Section 511 applies only to loans which are "made" during the time period between April 1, 1980, and April 1, 1983, inclusive. P.L. 96-221, §512(a), as amended by P.L. 96-399, Title III, §324, Oct. 8, 1980, 94 Stat. 1648. Subsection 512(b) of P.L. 96-221 provides that a loan shall be deemed to be "made" during this period if the loan:

- (1) (A) is funded or made in whole or in part during such period, regardless of whether pursuant to a commitment or other agreement therefor made prior to April 1, 1980; (B) was made prior to or on April 1, 1980, and bears or provides for interest during such period on the outstanding amount thereof at a variable or fluctuating rate; or (C) is a renewal, extension, or other modification during such period of any loan, if such renewal, extension, or other modification is made with the written consent of any person obligated to repay such loan; and
- (2) (A) is an original principal amount of \$25,000 or more (\$1,000 or more on or after the date of enactment of the Housing and Community Development Act of 1980) [Oct. 8, 1980]; or (B) is part of a series of advances if the aggregate of all sums advanced or agreed or contemplated to be advanced pursuant to a commitment or other agreement therefor is \$25,000 or more (\$1,000 or more on or after the date of enactment of the Housing and Community Development Act of 1980) [Oct. 8, 1980].

In explaining whether Section 511 applies to a given loan, this language focuses on the date that both parties become finally obligated under the loan agreement. It appears that the date of commitment is not necessarily determinative of this issue: Section 511 would apply to a loan committed prior to April 1, 1980, and closed after that date but Section 511 would not, in my opinion, apply to a loan committed before April 1, 1983, and closed after that date. Because Section 511 would not apply to a loan closed after April 1, 1983, a lender could not charge the rate of interest prescribed by Section 511(a) regardless of the rate that had been authorized by Section 511 on the date of commitment. Admittedly,

this illustrates only one instance in which the commitment date is not controlling; the statutory language does not specify which date is applicable when, *e.g.*, both the commitment and closing dates are within the statutory time period. Since Section 511 focuses on the date the loan is "made," however, and since in at least one instance a loan committed within the statutory time period is not "made" during that time, I conclude (1) the date of commitment is not the date the loan is "made," and (2) the rate prescribed on the date of commitment is not relevant for any type of loan to the determination of what rate is permitted by Section 511.

For those loans where the principal and interest rate are fixed by contract, it follows from my responses to question 1 and 2 that the applicable date is that in which the loan is "made," that is, the date of closing. Any renewal, extension, or modification of such a loan would be a new loan for purposes of Section 511, and the applicable date would become that of the renewal, extension, or modification. Similarly, a loan which provides for periodic interest-rate adjustments, or for periodic opportunities to adjust the interest rate, appears to constitute a new loan on each such date. I base this conclusion on paragraph (1)(B) of Section 512, above, which states that loans closed prior to April 1, 1980, and which provide for fluctuating rates, are to be deemed "made" during the statutory period. The permitted rate under Section 511 would have to be determined on each date the rate is subject to adjustment.

When a transaction involves a credit line or other loan contemplating a series of advances, I believe that the applicable date is determined by the conditions of the loan (and not by agreement of the parties). If the contract (a) provides for a fixed rate of interest *and* (b) imposes a ceiling on the amount of money that may be borrowed, I believe that such a loan is comparable to the situation described in questions 1 and 2 above, and the applicable rate is that allowed on the date of closing. Where either the interest rate or the amount to be borrowed can vary, however, it appears that the transaction would be more analogous to a variable-rate loan, with the result that each advance is treated as a separate loan under Section 511. As indicated above, it appears that a variable-rate loan should be treated as a new loan each time the interest rate is adjusted or is subject to adjustment. I believe the same argument can be made where the loan principal is subject to adjustment, *i.e.*, where the borrower may elect to borrow funds in addition to those initially contracted for. If each advance or interest-rate adjustment decision constitutes a new loan, the applicable date for determining the rate permitted by Section 511 would be the date of the advance or the adjustment decision.

5. *Where a loan provides for a floating rate of interest (typically tied to a "prime" rate), is the maximum allowable interest rate under Section 511 fixed, or does the ceiling under Section 511 float up and down with changes in the discount rate and surcharge?*

As the previous answer states, it is my opinion that a variable-rate loan should be treated as a new loan each time the rate is adjusted or subject to adjustment. If this

interpretation is correct, it follows that the maximum rate allowed by Section 511 would "float" with changes in the discount rate and surcharge. Therefore, a rate which is permitted under Section 511 on the date a variable-rate loan is closed may be prohibited thereby on a subsequent date of adjustment if the discount rate or surcharge have decreased in the interim. To my knowledge, however, the treatment of variable-rate loans under Section 511 has not been addressed by the courts, and could be resolved in some manner other than making each adjustment decision a new loan. It is possible, for example, that a court could allow a variable-rate loan to continue, exempt from subsequent changes in the usury ceiling, as long as the rate charged is constrained by the contractual formula for computing limits. In the absence of any judicial guidance on this question, however, my opinion is that the applicable rate "floats" for all variable-rate loans and, consequently, for all loans where the amount borrowed is not fixed by contract.

6. *Assuming that the applicable usury cap under Section 511 floats up and down with changes in the discount rate and surcharge during the life of the loan, would Section 511 be applicable at all in a case where, at the time when the loan was made, the usury cap under Section 511 was less than the applicable usury cap under state law? For example, if a prime rate loan were made at a time when the maximum rate which could be charged under Florida law was 18 percent and the maximum rate which could be charged under Section 511 was 17 percent, would that mean that Section 511 would never be applicable to the loan in question? This would, of course, mean that the Bank would be prohibited from charging more than 18 percent during the life of the loan even though the prime rate might rise to an amount in excess of 18 percent and even though the rate permitted under Section 511 might rise to a level in excess of 18 percent as well.*

Whether Section 511 or state law sets the applicable usury ceiling must be determined each time a loan is "made"; the preceding discussion assumes that a new loan is "made" for purposes of Section 511 each time a variable-rate loan is adjusted or subject to adjustment. Therefore, in the situation described, even though the usury ceiling would be determined by state law when the loan was closed, the ceiling could be determined under Section 511 for purposes of a later "loan." The higher of the state and Federal rates at the time of each adjustment would apply to that "loan."

7. *If the Bank relies on Section 511, does it have to stick with Section 511 even though the rate under state law might later become more favorable? For example, in the case a floating rate loan, suppose that on the day the loan was made, the applicable usury cap is 21*

percent under Section 511 and 18 percent under state law. The Bank relies on Section 511 and charges 21 percent in reliance thereon. Later, the rate under Section 511 floats down to 17 percent. Can the Bank then cross over and rely on the state limitation of 18 percent until the Section 511 cap goes back up, or must it follow the Section 511 cap down, even though it might be less than the state prescribed rate?

As per the preceding discussion, the applicable usury ceiling should be determined independently for each "new loan."

8. *Suppose that the Bank inadvertently charged a rate in excess of the rate permitted under Section 511 during some portion of the loan term. If the Bank discovered this mistake, could it later charge less than the permitted rate or, perhaps, even return funds to the borrower sufficient to reduce the overall rate charged over the term of the loan to an amount permitted under Section 511, and thereby escape the penalty for exceeding the rate specified in Section 511?*

I am not aware of any judicial decision applying the forfeiture and recovery provisions of Section 511. Section 86 of Title 12, United States Code, however, imposes comparable penalties for interest paid in excess of the ceiling imposed by 12 USC 85. The Supreme Court held that a bank could not avoid the forfeiture of interest under Section 86 by remitting the excessive interest. *Citizen's National Bank v. Donnell*, 195 U.S. 369 (1904). Presumably, a court would adopt a similar position with respect to both the forfeiture and recovery provisions of Section 511.

Section 511 provides that charging excessive interest may be the basis for forfeiture and recovery only "when knowingly done." This provision requires only that the lender knowingly charge a rate of interest (which may later turn out to be in excess of the applicable usury ceiling), not that the lender intend to violate the ceiling. *McAdoo v. Union National Bank of Little Rock, Arkansas*, 535 F.2d 1050 (C.A. Ark. 1976). While the courts may eventually reconsider this position, under current law, it appears that if the Bank in the situation you describe inadvertently charges excessive interest, the entire interest is subject to forfeiture; if the interest is actually paid, the payor may recover twice the amount paid.

I hope that this discussion is responsive to your inquiry.

Peter Liebesman
Assistant Director
Legal Advisory Services Division

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Changes in the structure of the national banking system, by states, June 30, 1982

	<i>In operation Jan. 1, 1982</i>	<i>Organized and opened for business</i>	<i>Consolidated and merged under 12 USC 215</i>		<i>Insol- vencies</i>	<i>Liqui- dated</i>	<i>12 USC 214</i>		<i>In operation June 30, 1982</i>
			<i>Consoli- dated</i>	<i>Merged</i>			<i>Converted to state banks</i>	<i>Merged or consolidated with state banks</i>	
United States	4,456	103	2	18	0	7	6	17	4,509
Alabama	94	1	1	2	0	0	0	2	90
Alaska	5	0	0	0	0	0	0	0	5
Arizona	3	0	0	0	0	0	0	0	3
Arkansas	70	0	0	0	0	0	0	0	70
California	60	19	0	0	0	0	0	0	79
Colorado	151	7	0	0	0	0	0	0	158
Connecticut	17	0	0	0	0	0	0	1	16
Delaware	6	4	0	0	0	0	0	0	10
District of Columbia	16	1	0	1	0	0	0	0	16
Florida	182	13	1	2	0	0	0	1	191
Georgia	63	1	0	2	0	0	0	0	62
Hawaii	2	1	0	0	0	0	0	0	3
Idaho	7	0	0	0	0	0	0	0	7
Illinois	406	1	0	0	0	2	0	0	405
Indiana	119	0	0	0	0	0	0	1	118
Iowa	100	2	0	0	0	1	0	0	101
Kansas	148	1	0	0	0	0	0	0	149
Kentucky	76	0	0	0	0	0	0	0	76
Louisiana	52	1	0	0	0	0	1	0	52
Maine	11	0	0	1	0	0	0	0	10
Maryland	24	0	0	0	0	0	0	0	24
Massachusetts	70	1	0	1	0	0	0	0	70
Michigan	126	0	0	0	0	0	1	0	125
Minnesota	203	0	0	1	0	0	0	0	202
Mississippi	36	0	0	0	0	0	0	0	36
Missouri	112	4	0	0	0	0	0	0	116
Montana	55	0	0	0	0	0	0	0	55
Nebraska	117	1	0	0	0	0	0	0	118
Nevada	3	0	0	0	0	0	0	0	3
New Hampshire	34	0	0	0	0	0	0	0	34
New Jersey	87	1	0	0	0	0	0	3	85
New Mexico	40	0	0	0	0	0	1	0	39
New York	113	2	0	1	0	0	0	0	114
North Carolina	20	0	0	0	0	0	0	0	20
North Dakota	39	1	0	0	0	0	0	0	40
Ohio	169	2	0	2	0	2	0	4	163
Oklahoma	188	4	0	0	0	0	0	0	192
Oregon	6	1	0	0	0	0	0	0	7
Pennsylvania	208	0	0	0	0	0	0	3	205
Rhode Island	5	0	0	0	0	0	0	0	5
South Carolina	18	0	0	0	0	0	0	0	18
South Dakota	34	0	0	0	0	0	0	0	34
Tennessee	68	0	0	0	0	0	0	1	67
Texas	694	28	0	1	0	1	1	0	719
Utah	6	1	0	0	0	0	0	0	7
Vermont	11	0	0	0	0	0	0	0	11
Virginia	69	1	0	3	0	0	0	1	66
Washington	19	3	0	1	0	0	0	0	20
West Virginia	113	0	0	0	0	0	0	0	113
Wisconsin	132	0	0	0	0	0	2	0	130
Wyoming	49	1	0	0	0	0	0	0	50

NOTE Includes one noninsured non-deposit national trust company in Wisconsin

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, June 30, 1982
(Dollar amounts in millions)

Name of banks	Total						
	United States	Alabama	Alaska	Arizona	Arkansas	California	Colorado
Assets	4,507	90	5	3	70	79	158
	\$ 202,225	\$ 1,325	\$ 327	\$ 1,635	\$ 588	\$ 35,581	\$ 1,576
	48,756	476	64	711	496	3,397	583
	34,383	712	178	175	469	2,572	241
	80,736	1,537	306	950	672	3,975	1,141
	16,539	73	3	14	39	2,471	31
	180,414	2,799	551	1,850	1,676	12,415	1,996
	48,601	552	97	105	466	6,845	645
	694,243	5,106	732	6,391	3,443	126,851	7,773
	7,554	73	10	82	35	1,083	91
	686,689	5,033	723	6,309	3,408	125,768	7,682
	10,692	38	5	104	22	3,386	125
	18,795	217	67	278	147	3,249	250
	1,873	47	8	15	16	309	54
	75,963	283	35	560	165	16,531	406
1,225,253	10,293	1,814	10,857	6,487	204,085	12,734	
Liabilities	153,075	1,815	537	2,116	1,099	20,972	2,507
	472,105	5,067	593	6,203	3,538	74,961	5,608
	3,186	33	8	28	8	441	63
	43,537	831	178	189	393	3,199	787
	41,869	308	6	94	172	6,541	635
	6,881	60	31	143	27	1,252	117
	720,653	8,114	1,354	8,773	5,237	107,365	9,717
	194,355	2,196	621	2,495	1,382	25,123	3,297
	526,299	5,918	733	6,278	3,855	82,242	6,420
	219,225	137	1	16	0	53,571	87
	939,878	8,251	1,355	8,788	5,237	160,936	9,804
	112,199	687	229	835	548	12,576	1,434
	4,380	39	9	37	23	478	49
	21,194	90	—	5	22	4,038	153
	1,646	7	4	13	5	260	28
73,827	338	37	508	118	17,621	304	
1,153,125	9,413	1,634	10,186	5,954	195,910	11,771	
3,510	43	—	43	23	99	38	
Equity Capital	102	0	0	0	8	0	0
	13,206	111	43	61	88	2,359	149
	20,620	333	48	174	115	2,628	235
	34,691	394	88	392	300	3,088	541
	68,619	837	179	627	511	8,076	925
	1,225,253	10,293	1,814	10,857	6,487	204,085	12,734
	129	2	1	2	0	5	2
	986,943	10,166	1,183	10,840	6,487	144,465	12,726

See notes at end of table

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, June 30, 1982—continued
(Dollar amounts in millions)

	Connecticut	Delaware	District of Columbia	Florida	Georgia	Hawaii	Idaho
Number of banks	16	10	16	191	62	3	7
Assets							
Cash and due from depository institutions	\$ 846	\$ 19	\$2,305	\$ 5,823	\$ 2,451	\$ 17	\$ 529
U.S. Treasury securities	180	11	348	2,701	729	25	285
Obligations of other U.S. government agencies and corporations	109	5	258	1,687	458	24	157
Obligations of states and political subdivisions	480	12	941	3,415	1,516	1	373
All other securities	30	4	35	153	83	—	55
Total securities	799	32	1,583	7,956	2,786	51	869
Federal funds sold and securities purchased under agreements to resell	39	27	355	1,899	579	1	87
Total loans (excluding unearned income)	2,794	433	5,082	15,437	6,828	90	2,633
Allowance for possible loan losses	31	5	58	186	112	1	23
Net loans	2,763	429	5,024	15,252	6,716	89	2,609
Lease financing receivables	6	0	27	57	109	4	58
Bank premises, furniture and fixtures, and other assets representing bank premises	97	11	136	887	276	3	87
Real estate owned other than bank premises	3	—	21	33	30	0	11
All other assets	120	8	418	866	719	4	94
Total assets	4,674	526	9,869	32,773	13,668	170	4,344
Liabilities							
Demand deposits of individuals, partnerships and corporations	1,273	21	1,856	7,005	2,904	33	580
Time and savings deposits of individuals, partnerships and corporations	2,107	226	3,550	16,390	5,122	80	2,583
Deposits of U.S. government	46	—	162	77	71	—	9
Deposits of states and political subdivisions	129	—	48	1,259	542	37	192
All other deposits	189	50	366	708	744	2	11
Certified and officers checks	45	4	80	292	55	2	25
Total deposits in domestic offices	3,790	301	6,061	25,732	9,439	154	3,401
Demand deposits	1,603	25	2,285	8,312	3,868	36	673
Time and savings deposits	2,187	276	3,776	17,420	5,571	119	2,728
Total deposits in foreign offices	87	0	1,941	505	436	0	0
Total deposits	3,877	301	8,002	26,237	9,875	154	3,401
Federal funds purchased and securities sold under agreements to repurchase	372	67	707	3,440	1,916	1	486
Interest bearing demand notes issued to U.S. Treasury	18	—	58	72	19	1	25
Other liabilities for borrowed money	23	45	93	74	82	0	—
Mortgage indebtedness and liability for capitalized leases	10	—	12	59	13	0	4
All other liabilities	72	10	379	627	813	2	130
Total liabilities	4,373	423	9,251	30,510	12,720	159	4,046
Subordinated notes and debentures	12	0	11	30	60	2	23
Equity Capital							
Preferred stock	0	1	0	—	0	0	0
Common stock	49	49	71	470	187	5	41
Surplus	125	49	143	825	258	4	184
Undivided profits and reserve for contingencies and other capital reserves	115	4	394	938	443	1	30
Total equity capital	289	102	608	2,233	888	10	275
Total liabilities, subordinated notes and debentures and equity capital	4,674	526	9,869	32,773	13,668	170	4,344
Number of banks with foreign offices	3	0	4	7	3	0	1
Total domestic office assets	4,585	526	7,971	32,252	13,233	170	4,344

See notes at end of table

(Dollar amounts in millions)

Name of bank	State									
	Illinois	Indiana	Iowa	Kansas	Kentucky	Louisiana	Marie			
Assets	405	118	101	149	76	52	10			
Cash and due from depository institutions	\$ 17,327	\$ 3,111	\$ 824	\$ 774	\$ 972	\$ 1,627	\$ 170			
U.S. Treasury securities	4,132	1,491	560	621	780	1,681	101			
Obli gations of other U.S. government agencies and corporations	3,426	1,227	480	695	467	598	120			
Obli gations of states and political subdivisions	5,801	1,859	780	885	894	1,364	137			
All other securities	1,327	212	30	62	34	21	3			
Total securities	14,686	4,789	1,850	2,262	2,175	3,664	361			
Federal funds sold and securities purchased under agreements to resell	2,954	1,031	806	813	725	896	49			
Total loans (excluding unearned income)	68,064	9,592	3,669	3,736	4,564	6,560	671			
Allowance for possible loan losses	818	109	37	42	53	88	8			
Net loans	67,246	9,484	3,632	3,694	4,511	6,471	664			
Lease financing receivables	303	160	10	11	148	48	0			
Bank premises, furniture and fixtures, and other assets representing bank premises	1,131	330	124	149	173	274	29			
Real estate owned other than bank premises	187	55	16	19	10	22	3			
All other assets	6,367	752	187	169	203	300	26			
Total assets	110,200	19,712	7,449	7,890	8,917	13,303	1,301			
Liabilities										
Demand deposits of individuals, partnerships and corporations	9,749	2,404	926	1,196	1,337	2,709	238			
Time and savings deposits of individuals, partnerships and corporations	34,711	10,421	4,160	3,979	4,739	5,774	732			
Deposits of U.S. government	331	46	14	22	24	47	6			
Deposits of states and political subdivisions	3,125	1,216	301	691	320	1,456	76			
All other deposits	5,440	551	334	271	314	405	8			
Certified and officers checks	424	158	28	37	42	96	9			
Total deposits in domestic offices	53,781	14,797	5,763	6,195	6,777	10,487	1,068			
Demand deposits	13,038	3,572	1,319	1,591	1,672	3,361	286			
Time and savings deposits	40,743	11,225	4,444	4,604	5,105	7,126	782			
Total deposits in foreign offices	28,124	326	41	0	216	63	0			
Total deposits	81,904	15,123	5,804	6,195	6,993	10,550	1,068			
Federal funds purchased and securities sold under agreements to repurchase	13,936	2,371	889	802	958	1,360	105			
Interest bearing demand notes issued to U.S. Treasury	400	129	28	30	54	34	12			
Other liabilities for borrowed money	2,514	62	24	48	33	28	4			
Mortgage indebtedness and liability for capitalized leases	30	42	18	3	22	22	4			
All other liabilities	5,885	629	135	134	201	244	13			
Total liabilities	104,668	18,355	6,897	7,212	8,267	12,239	1,207			
Subordinated notes and debentures	87	25	27	13	10	27	2			
Equity Capital										
Preferred stock	2	0	0	—	—	0	0			
Common stock	836	227	83	114	85	150	20			
Surplus	1,946	424	118	187	135	274	23			
Undivided profits and reserve for contingencies and other capital reserves	2,660	681	325	365	420	613	49			
Total equity capital	5,444	1,333	526	665	640	1,037	92			
Total liabilities, subordinated notes and debentures and equity capital	110,200	19,712	7,449	7,890	8,917	13,303	1,301			
Number of banks with foreign offices	6	3	1	0	1	3	0			
Total domestic office assets	82,957	19,369	7,407	7,890	8,663	13,240	1,301			

See notes at end of table

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, June 30, 1982—continued
(Dollar amounts in millions)

	Maryland	Massachusetts	Michigan	Minnesota	Mississippi	Missouri	Montana
Number of banks	24	70	125	202	36	116	55
Assets							
Cash and due from depository institutions	\$1,730	\$ 6,309	\$ 6,210	\$ 3,996	\$ 664	\$ 2,546	\$ 373
U S Treasury securities	365	1,199	1,561	1,048	475	714	221
Obligations of other U S government agencies and corporations	185	412	817	953	332	705	114
Obligations of states and political subdivisions	844	1,356	2,529	2,136	801	1,550	367
All other securities	20	467	200	499	32	150	11
Total securities	1,414	3,435	5,106	4,636	1,640	3,119	713
Federal funds sold and securities purchased under agreements to resell	176	906	1,385	696	449	2,674	127
Total loans (excluding unearned income)	4,337	14,612	16,723	13,805	3,082	8,085	1,757
Allowance for possible loan losses	46	188	187	128	37	102	18
Net loans	4,291	14,425	16,536	13,677	3,045	7,982	1,740
Lease financing receivables	71	598	258	242	12	111	9
Bank premises, furniture and fixtures and other assets representing bank premises	147	413	461	339	123	303	65
Real estate owned other than bank premises	23	17	63	50	19	31	9
All other assets	479	1,589	1,155	1,286	207	685	73
Total assets	8,332	27,692	31,174	24,922	6,159	17,452	3,108
Liabilities							
Demand deposits of individuals, partnerships and corporations	1,550	3,620	4,239	2,946	996	2,675	413
Time and savings deposits of individuals partnerships and corporations	3,873	7,637	15,484	11,086	3,083	6,395	1,883
Deposits of U S government	29	111	115	50	14	95	6
Deposits of states and political subdivisions	209	741	1,609	989	541	658	191
All other deposits	95	790	556	993	157	1,238	42
Certified and officers checks	42	134	197	90	23	67	24
Total deposits in domestic offices	5,798	13,033	22,201	16,155	4,814	11,129	2,560
Demand deposits	1,821	4,856	5,378	4,004	1,279	3,799	514
Time and savings deposits	3,977	8,177	16,823	12,151	3,535	7,330	2,046
Total deposits in foreign offices	641	7,495	1,976	2,352	36	554	0
Total deposits	6,439	20,527	24,177	18,507	4,850	11,682	2,560
Federal funds purchased and securities sold under agreements to repurchase	678	3,476	3,426	3,041	631	3,556	175
Interest bearing demand notes issued to U S Treasury	64	143	206	187	29	106	10
Other liabilities for borrowed money	48	622	201	242	46	166	48
Mortgage indebtedness and liability for capitalized leases	22	32	42	64	18	82	8
All other liabilities	576	1,541	1,169	1,278	151	737	63
Total liabilities	7,827	26,341	29,220	23,319	5,726	16,330	2,864
Subordinated notes and debentures	3	36	71	156	13	35	19
Equity Capital							
Preferred stock	0	0	1	—	0	4	0
Common stock	61	164	358	336	51	156	74
Surplus	98	430	592	409	348	269	77
Individual profits and reserve for contingencies and other capital reserves	344	721	931	702	22	657	75
Total equity capital	502	1,315	1,883	1,447	420	1,086	225
Total liabilities, subordinated notes and debentures and equity capital	8,332	27,692	31,174	24,922	6,159	17,452	3,108
Number of banks with foreign offices	2	3	4	4	1	4	0
Total domestic office assets	7,672	19,421	29,089	22,572	6,121	16,867	3,108

See notes at end of table

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, June 30, 1982—continued
(Dollar amounts in millions)

	Nebraska	Nevada	New Hampshire	New Jersey	New Mexico	New York	North Carolina
Number of banks	118	3	34	85	39	114	20
Assets							
Cash and due from depository institutions	\$ 791	\$ 554	\$ 250	\$ 4 107	\$ 476	\$ 42 421	\$ 3 637
U.S. Treasury securities	422	96	143	1,755	334	3,775	747
Obbligations of other U.S. government agencies and corporations	512	126	66	1,293	245	1,899	497
Obbligations of states and political subdivisions	812	251	215	2,371	480	6,338	1 736
All other securities	29	3	5	308	8	7,712	242
Total securities	1,775	477	429	5,727	1,068	19,725	3,221
Federal funds sold and securities purchased under agreements to resell	814	79	45	727	436	4,669	1 546
Total loans (excluding unearned income)	3,752	1,414	1,146	12,201	2,132	142,567	10 475
Allowance for possible loan losses	42	16	13	139	22	1,330	128
Net loans	3,710	1,398	1,133	12,062	2,110	141,237	10 347
Lease financing receivables	64	34	1	104	4	1,945	275
Bank premises, furniture and fixtures, and other assets representing bank premises	125	67	37	433	102	2,288	320
Real estate owned other than bank premises	13	7	3	37	7	237	12
All other assets	168	47	32	730	89	23,829	1,339
Total assets	7,459	2,663	1,930	23,928	4,292	236,350	20 696
Liabilities							
Demand deposits of individuals, partnerships and corporations	1,037	648	370	4 852	670	17 006	3 056
Time and savings deposits of individuals, partnerships and corporations	3,922	1,431	1,084	12,617	2,027	46 635	8 281
Deposits of U.S. government	11	12	8	71	20	308	52
Deposits of states and political subdivisions	401	155	114	1,070	717	2,913	535
All other deposits	331	1	12	280	56	10 938	388
Certified and officers checks	31	29	14	242	30	1,233	87
Total deposits in domestic offices	5,733	2,276	1,602	19,132	3,518	79,032	12 400
Demand deposits	1,451	720	444	5,769	828	23,378	3,609
Time and savings deposits	4,282	1,556	1,157	13,363	2,690	55,655	8,791
Total deposits in foreign offices	0	0	0	450	0	97,653	2 900
Total deposits	5,733	2,276	1,602	19,582	3,518	176,686	15,300
Federal funds purchased and securities sold under agreements to repurchase	922	114	131	1,875	359	14,152	2,475
Interest bearing demand notes issued to U.S. Treasury	25	10	13	103	9	528	57
Other liabilities for borrowed money	17	11	6	103	13	9,292	199
Mortgage indebtedness and liability for capitalized leases	14	3	3	17	16	190	65
All other liabilities	139	37	26	685	69	23,126	1,309
Total liabilities	6,850	2,451	1,781	22,365	3,984	223,975	19,405
Subordinated notes and debentures	28	0	2	52	19	631	123
Equity Capital							
Preferred stock	—	0	0	0	0	3	0
Common stock	90	44	16	308	76	2,434	238
Surplus	117	56	46	443	108	3,223	273
Undivided profits and reserve for contingencies and other capital reserves	374	112	85	760	105	6,086	658
Total equity capital	581	211	147	1,511	289	11,745	1,169
Total liabilities, subordinated notes and debentures and equity capital	7,459	2,663	1,930	23,928	4,292	236,350	20,696
Number of banks with foreign offices	0	0	0	5	0	9	3
Total domestic office assets	7,459	2,663	1,930	23,467	4,292	125,952	17,792

See notes at end of table

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, June 30, 1982—continued
(Dollar amounts in millions)

	North Dakota	Ohio	Oklahoma	Oregon	Pennsylvania	Rhode Island	South Carolina
Number of banks	40	163	191	7	205	5	18
Assets							
Cash and due from depository institutions	\$ 298	\$ 6,913	\$ 1,924	\$1,042	\$10,393	\$ 848	\$ 779
U S Treasury securities	222	2,333	1,884	390	3,217	146	389
Obligations of other U S government agencies and corporations	140	1,856	185	43	3,556	181	228
Obligations of states and political subdivisions	267	4,305	2,385	1,139	5,402	459	634
All other securities	8	164	165	18	921	57	45
Total securities	637	8,658	4,619	1,591	13,096	844	1,296
Federal funds sold and securities purchased under agreements to resell	57	1,871	1,208	478	1,692	206	451
Total loans (excluding unearned income)	1,356	18,473	9,908	5,817	31,893	3,054	2,347
Allowance for possible loan losses	14	216	121	54	396	36	34
Net loans	1,342	18,257	9,787	5,763	31,497	3,017	2,313
Lease financing receivables	6	431	36	69	321	183	10
Bank premises, furniture and fixtures, and other assets representing bank premises	48	724	230	193	770	73	136
Real estate owned other than bank premises	7	46	22	45	64	5	7
All other assets	62	1,660	488	737	4,324	403	97
Total assets	2,457	38,561	18,314	9,919	62,155	5,580	5,089
Liabilities							
Demand deposits of individuals, partnerships and corporations	313	5,485	3,082	1,403	7,765	644	1,238
Time and savings deposits of individuals, partnerships and corporations	1,617	20,707	8,994	5,274	27,988	2,788	2,264
Deposits of U S government	4	125	55	26	127	15	23
Deposits of states and political subdivisions	141	1,655	2,012	459	1,781	221	248
All other deposits	13	298	670	135	1,150	24	60
Certified and officers checks	14	235	123	51	262	36	31
Total deposits in domestic offices	2,103	28,505	14,936	7,347	39,072	3,728	3,864
Demand deposits	365	6,558	3,833	1,714	9,408	833	1,485
Time and savings deposits	1,738	21,947	11,103	5,633	29,664	2,895	2,379
Total deposits in foreign offices	0	652	99	61	6,273	423	—
Total deposits	2,103	29,157	15,035	7,408	45,345	4,152	3,864
Federal funds purchased and securities sold under agreements to repurchase	85	4,320	1,419	816	7,082	663	664
Interest bearing demand notes issued to U S Treasury	10	189	86	41	307	16	31
Other liabilities for borrowed money	11	426	70	136	970	105	65
Mortgage indebtedness and liability for capitalized leases	5	57	5	26	76	25	5
All other liabilities	44	1,583	355	799	4,114	309	75
Total liabilities	2,259	35,733	16,971	9,226	57,895	5,270	4,705
Subordinated notes and debentures	17	36	55	58	686	27	12
Equity Capital							
Preferred stock	0	55	1	1	10	0	0
Common stock	48	533	206	94	493	31	45
Surplus	51	930	290	176	1,208	89	90
Undivided profits and reserve for contingencies and other capital reserves	83	1,274	791	364	1,863	163	237
Total equity capital	182	2,792	1,288	635	3,575	282	371
Total liabilities, subordinated notes and debentures and equity capital	2,457	38,561	18,314	9,919	62,155	5,580	5,089
Number of banks with foreign offices	0	8	4	2	6	2	2
Total foreign office assets	2,457	37,868	18,296	9,855	55,416	5,147	5,089

See end of table

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, June 30, 1982—continued
(Dollar amounts in millions)

	South Dakota	Tennessee	Texas	Utah	Vermont	Virginia	Washington
<i>Assets</i>							
Cash and due from depository institutions	34	67	719	7	11	66	36
U.S. Treasury securities							
\$ 351		\$ 2 379	\$ 17 320	\$ 738	\$ 55	\$ 1 852	\$ 3 189
303		766	3 849	188	42	607	663
Obligations of other U.S. government agencies and corporations		644	2 545	101	14	628	330
Obligations of states and political subdivisions		1 183	10 475	353	62	1 423	1 304
All other securities	14	77	288	43	7	87	148
<i>Total securities</i>	846	2 671	17 157	685	124	2 746	2 445
Federal funds sold and securities purchased under agreements to resell	97	771	5 401	194	27	684	442
<i>Total loans (excluding unearned income)</i>	4 314	6 131	58 407	2 713	410	7 078	14 941
Allowance for possible loan losses	56	80	705	28	3	83	271
<i>Net loans</i>	4 258	6 051	57 702	2 685	406	6 995	14 670
Lease financing receivables	1	52	394	82	0	52	623
Bank premises, furniture and fixtures, and other assets representing bank premises	92	270	1 726	81	13	335	519
Real estate owned other than bank premises	8	29	100	32	1	24	46
All other assets	136	502	5 201	107	11	393	1 314
<i>Total assets</i>	5 790	12 725	105 001	4 603	637	13 081	23 249
<i>Liabilities</i>							
Demand deposits of individuals, partnerships and corporations	383	1 966	16 260	759	85	2 099	3 380
Time and savings deposits of individuals, partnerships and corporations	3 783	6 595	42 396	2 350	430	7 524	12 166
Deposits of U.S. government	4	59	225	4	1	39	67
Deposits of states and political subdivisions	222	566	7 152	403	36	530	1 076
All other deposits	195	517	4 744	44	2	85	456
Certified and officers checks	14	52	510	32	6	79	142
<i>Total deposits in domestic offices</i>	4 602	9 754	71 288	3 591	561	10 356	17 287
Demand deposits	451	2 717	21 279	893	103	2 472	3 959
Time and savings deposits	4 151	7 038	50 010	2 698	458	7 884	13 328
<i>Total deposits in foreign offices</i>	0	81	9 970	102	0	11	1 468
<i>Total deposits</i>	4 602	9 835	81 258	3 693	561	10 366	18 755
Federal funds purchased and securities sold under agreements to repurchase	549	1 468	11 130	419	11	1 182	1 635
Interest bearing demand notes issued to U.S. Treasury	14	19	374	24	1	63	92
Other liabilities for borrowed money	11	49	579	11	9	152	142
Mortgage indebtedness and liability for capitalized leases	8	18	149	3	—	53	45
All other liabilities	99	458	4 649	120	7	343	1 231
<i>Total liabilities</i>	5 282	11 847	98 139	4 270	589	12 159	21 901
Subordinated notes and debentures	23	18	497	51	3	54	176
<i>Equity Capital</i>							
Preferred stock	0	1	0	0	0	0	15
Common stock	164	154	1 148	52	8	128	241
Surplus	195	245	1 466	107	10	239	305
Undivided profits and reserve for contingencies and other capital reserves	126	461	3 751	123	26	501	610
<i>Total equity capital</i>	485	860	6 365	282	44	868	1 171
<i>Total liabilities, subordinated notes and debentures and equity capital</i>	5 790	12 725	105 001	4 603	637	13 081	23 249
Number of banks with foreign offices	0	4	15	1	0	2	3
<i>Total domestic office assets</i>	5 790	12 570	95 450	4 501	637	13 048	21 546

See notes at end of table

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, June 30, 1982—continued
(Dollar amounts in millions)

	West Virginia	Wisconsin	Wyoming	District of Columbia nonnational*
Number of banks	113	129	50	1
Assets				
Cash and due from depository institutions	\$ 557	\$ 1 480	\$ 215	5
U.S. Treasury securities	559	782	188	6
Obligations of other U.S. government agencies and corporations	855	522	146	12
Obligations of states and political subdivisions	761	1 121	304	2
All other securities	21	102	5	1
Total securities	2 195	2 527	643	22
Federal funds sold and securities purchased under agreements to resell	715	441	165	3
Total loans (excluding unearned income)	2 885	6 614	1 365	29
Allowance for possible loan losses	32	70	16	1
Net loans	2 853	6 545	1 350	28
Lease financing receivables	9	70	3	0
Bank premises, furniture and fixtures and other assets representing bank premises	132	266	47	—
Real estate owned other than bank premises	9	36	6	2
All other assets	111	432	63	1
Total assets	6 582	11 797	2 491	62
Liabilities				
Demand deposits of individuals, partnerships and corporations	867	1 589	400	16
Time and savings deposits of individuals, partnerships and corporations	4 041	5 851	1 354	38
Deposits of U.S. government	13	44	12	1
Deposits of states and political subdivisions	208	694	321	1
All other deposits	69	364	16	—
Certified and officers checks	43	64	20	1
Total deposits in domestic offices	5 242	8 606	2 124	56
Demand deposits	1 046	2 114	522	18
Time and savings deposits	4 196	6 492	1 601	38
Total deposits in foreign offices	0	474	0	0
Total deposits	5 242	9 080	2 124	56
Federal funds purchased and securities sold under agreements to repurchase	615	1 330	79	1
Interest bearing demand notes issued to U.S. Treasury	20	83	3	0
Other liabilities for borrowed money	19	77	12	0
Mortgage indebtedness and liability for capitalized leases	6	11	12	1
All other liabilities	108	386	38	1
Total liabilities	6 010	10 968	2 268	59
Subordinated notes and debentures	4	21	9	0
Equity Capital				
Preferred stock	0	0	0	0
Common stock	82	165	14	—
Surplus	175	280	50	1
Undivided profits and reserve for contingencies and other capital reserves	310	364	150	2
Total equity capital	568	808	214	3
Total liabilities, subordinated notes and debentures and equity capital	6 582	11 797	2 491	62
Number of banks with foreign offices	0	2	0	0
Total domestic office assets	6 582	11 383	2 491	62

* Nonnational banks in the District of Columbia are supervised by the Comptroller of the Currency.

NOTES: Foreign offices are defined to include Edge Act and Agreement subsidiaries in the U.S., branches located in Puerto Rico, the Virgin Islands and U.S. Trust Territories and branches and subsidiaries located in foreign countries. Any amounts greater than zero but less than \$500 thousand are indicated by a dash (—). Details on domestic office loans can be found on p. 115 and additional details on domestic office deposits can be found on p. 114. Data are from the consolidated reports of condition filed quarterly by all national banks. One national noninsured trust company in Wisconsin is excluded from this table.

Domestic office deposits of national banks, by states, June 30, 1982
(Dollar amounts in millions)

	<i>Demand deposits of individuals, partnerships and corporations</i>	<i>All other demand deposits</i>	<i>NOW and automatic transfer accounts</i>	<i>All other savings accounts</i>	<i>Money market certificates of deposit</i>	<i>Time certificates of deposit of \$100,000 or more</i>	<i>Other time deposits of \$100,000 or more</i>	<i>All other time deposits</i>	<i>Total domestic deposits</i>
All national banks	\$153,075	\$41,280	\$37,321	\$85,415	\$123,517	\$179,138	\$22,128	\$78,780	\$720,653
Alabama	1,815	381	359	951	1,821	1,169	457	1,160	8,114
Alaska	537	84	97	180	162	236	2	56	1,354
Arizona	2,116	378	372	1,461	2,250	1,183	10	1,003	8,773
Arkansas	1,099	283	401	541	1,364	816	47	686	5,237
California	20,972	4,151	5,207	13,775	13,957	37,472	4,620	7,210	107,365
Colorado	2,507	790	709	1,069	1,218	2,586	78	759	9,717
Connecticut	1,273	329	244	575	622	255	61	430	3,790
Delaware	21	4	8	23	26	198	0	22	301
District of Columbia	1,856	429	427	691	380	1,943	30	306	6,061
Florida	7,005	1,307	2,249	3,675	5,739	3,487	168	2,102	25,732
Georgia	2,904	963	536	794	1,502	1,291	117	1,331	9,439
Hawaii	33	3	12	25	24	53	0	5	154
Idaho	580	93	310	420	983	499	3	513	3,401
Illinois	9,749	3,289	1,742	5,151	7,369	18,405	2,565	5,511	53,781
Indiana	2,404	1,168	863	1,979	3,859	1,797	26	2,701	14,797
Iowa	926	393	427	687	1,504	519	6	1,301	5,763
Kansas	1,196	396	432	612	1,517	1,029	53	961	6,195
Kentucky	1,337	335	434	697	1,730	1,140	31	1,073	6,777
Louisiana	2,709	653	490	1,161	1,796	2,789	14	876	10,487
Maine	238	48	127	211	241	68	3	132	1,068
Maryland	1,550	271	246	1,317	1,029	465	5	914	5,798
Massachusetts	3,620	1,236	768	1,177	955	4,238	350	689	13,033
Michigan	4,239	1,139	904	4,207	5,589	3,379	42	2,702	22,201
Minnesota	2,946	1,057	745	1,840	2,548	4,240	72	2,706	16,155
Mississippi	996	283	237	353	1,172	911	7	855	4,814
Missouri	2,675	1,124	570	864	1,706	2,944	102	1,144	11,129
Montana	413	100	200	307	795	311	4	429	2,560
Nebraska	1,037	414	454	472	1,564	684	9	1,098	5,733
Nevada	648	73	157	355	461	451	—	132	2,276
New Hampshire	370	74	188	268	296	208	3	194	1,602
New Jersey	4,852	917	788	3,919	3,965	1,988	77	2,627	19,132
New Mexico	670	158	317	358	727	903	9	377	3,518
New York	17,006	6,371	2,512	6,970	9,916	20,241	8,670	7,346	79,032
North Carolina	3,056	552	940	1,634	2,406	1,977	110	1,724	12,400
North Dakota	313	52	201	213	581	206	7	531	2,103
Ohio	5,485	1,073	1,720	5,378	6,325	3,679	151	4,694	28,505
Oklahoma	3,082	751	668	917	2,567	5,831	21	1,099	14,936
Oregon	1,403	312	791	1,073	1,705	1,095	—	969	7,347
Pennsylvania	7,765	1,643	1,809	6,137	7,434	7,772	404	6,109	39,072
Rhode Island	644	189	152	437	642	1,125	44	496	3,728
South Carolina	1,238	247	415	497	667	285	2	513	3,864
South Dakota	383	68	267	260	889	1,934	7	794	4,602
Tennessee	1,966	751	607	1,075	2,568	1,509	19	1,260	9,754
Texas	16,260	5,018	3,378	3,536	8,857	26,785	3,407	4,047	71,288
Utah	759	134	248	425	758	979	4	284	3,591
Vermont	85	18	37	146	134	50	2	89	561
Virginia	2,099	372	697	1,582	2,511	947	46	2,101	10,356
Washington	3,380	579	1,047	2,188	3,129	4,973	58	1,933	17,287
West Virginia	867	178	253	1,076	1,450	415	10	992	5,242
Wisconsin	1,589	525	409	1,507	1,668	1,297	24	1,588	8,606
Wyoming	400	122	152	250	440	382	172	205	2,124
District of Columbia— all*	1,872	431	429	713	387	1,948	30	307	6,117

* Includes national and nonnational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency

NOTE: Dashes indicate amounts of less than \$500,000. Figures may not add to totals due to rounding. Table excludes data for one national bank which did not report on June 30, 1982.

Domestic office loans of national banks, by states, June 30, 1982
(Dollar amounts in millions)

	<i>Total loans, gross</i>	<i>Loans secured by real estate</i>	<i>Loans to financial institutions</i>	<i>Loans to purchase or carry securities</i>	<i>Loans to farmers</i>	<i>Commercial and indus- trial loans</i>	<i>Personal loans to individuals</i>	<i>Other loans</i>	<i>Total bank- less un- earned income</i>
All national banks	\$566,074	\$166,926	\$37,139	\$6,196	\$16,677	\$217,991	\$104,574	\$16,571	\$556,425
Alabama	5,285	1,447	235	22	94	1,866	1,526	95	5,043
Alaska	735	253		1	34	295	149	3	728
Arizona	6,426	2,033	366	2	393	1,700	1,869	63	6,300
Arkansas	3,513	1,005	261	58	159	1,355	597	78	3,443
California	95,224	39,966	5,409	756	3,204	29,143	13,732	3,014	94,948
Colorado	7,847	2,319	209	102	502	2,852	1,669	195	7,770
Connecticut	2,754	1,043	125	6	6	895	622	56	2,693
Delaware	434	35	0	0	—	25	373	—	433
District of Columbia	4,336	1,781	261	6	5	1,371	712	199	4,270
Florida	15,812	6,252	517	34	55	3,807	4,884	263	15,165
Georgia	6,874	1,662	311	16	46	2,334	2,351	153	6,551
Hawaii	91	39	0	—	1	26	25	—	90
Idaho	2,673	839	138	6	307	730	629	23	2,633
Illinois	53,760	10,730	5,830	938	1,123	27,278	6,054	1,807	53,238
Indiana	9,632	3,748	700	89	271	2,516	2,147	163	9,363
Iowa	3,671	1,023	110	73	756	926	722	61	3,648
Kansas	3,781	705	180	92	705	1,222	824	54	3,736
Kentucky	4,582	1,487	239	25	231	1,280	1,184	136	4,436
Louisiana	6,751	1,775	196	40	64	2,767	1,727	182	6,535
Maine	673	287	4	0	1	204	172	4	671
Maryland	3,952	1,777	134	27	30	1,205	744	36	3,872
Massachusetts	10,347	2,209	885	22	41	5,317	1,676	197	10,142
Michigan	16,154	5,930	1,085	22	135	5,833	2,496	653	16,039
Minnesota	12,791	3,761	471	384	788	5,151	1,700	535	12,645
Mississippi	3,193	1,061	164	55	80	936	818	80	3,077
Missouri	7,650	1,803	843	145	329	2,958	1,398	175	7,567
Montana	1,812	465	44	2	294	555	432	21	1,757
Nebraska	3,790	544	153	125	1,252	908	717	92	3,752
Nevada	1,476	676	16	—	18	337	423	5	1,414
New Hampshire	1,210	421	8	1	1	399	365	15	1,146
New Jersey	12,399	5,135	409	25	9	3,743	2,837	242	12,006
New Mexico	2,211	540	86	4	128	823	600	30	2,132
New York	72,602	13,929	8,048	1,274	404	34,247	11,130	3,569	71,513
North Carolina	9,694	2,182	516	52	144	3,893	2,717	190	9,472
North Dakota	1,367	327	23	1	320	453	228	14	1,356
Ohio	18,724	6,710	688	58	315	5,400	5,324	228	18,063
Oklahoma	10,072	2,363	375	226	633	4,323	1,625	526	9,900
Oregon	5,782	2,057	398	24	229	1,992	1,039	44	5,729
Pennsylvania	29,209	8,525	3,510	307	164	10,667	5,251	786	28,493
Rhode Island	2,914	917	278	2	1	1,207	426	82	2,858
South Carolina	2,450	567	104	6	48	759	933	32	2,347
South Dakota	4,343	459	22	4	622	541	2,663	32	4,314
Tennessee	6,313	1,784	296	69	87	2,323	1,563	192	6,110
Texas	55,763	11,906	2,225	867	1,529	29,913	7,803	1,520	54,817
Utah	2,745	1,184	40	7	58	814	574	68	2,713
Vermont	412	210	1	—	9	106	82	4	410
Virginia	7,413	3,016	109	44	115	1,793	2,148	188	7,059
Washington	13,562	3,836	707	87	553	5,620	2,466	292	13,437
West Virginia	3,055	1,282	130	7	13	574	1,014	35	2,885
Wisconsin	6,429	2,545	263	78	206	2,110	1,100	127	6,343
Wyoming	1,387	376	17	4	163	500	314	13	1,365
District of Columbia— all*	4,366	1,801	261	6	5	1,375	718	199	4,298

* Includes national and nonnational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.
NOTE: Dashes indicate amounts of less than \$500,000. Figures may not add to totals due to rounding. Table excludes data for one national bank which did not report on June 30, 1982.

Outstanding balances, credit cards and related plans of national banks, June 30, 1982
(Dollar amounts in thousands)

	<i>Total number of national banks</i>	<i>Credit cards and other related credit plans</i>	
		<i>Number of national banks</i>	<i>Outstanding volume</i>
All national banks	4,507	1,866	\$23,753,011
Alabama	90	17	142,365
Alaska	5	4	43,969
Arizona	3	2	426,477
Arkansas	70	10	54,792
California	79	60	4,260,600
Colorado	158	127	482,821
Connecticut	16	9	162,108
Delaware	10	5	279,342
District of Columbia	16	14	190,331
Florida	191	79	765,805
Georgia	62	27	519,343
Hawaii	3	1	3,234
Idaho	7	4	69,140
Illinois	405	158	2,273,292
Indiana	118	74	287,935
Iowa	101	44	199,001
Kansas	149	22	97,694
Kentucky	76	29	142,976
Louisiana	52	17	202,215
Maine	10	9	28,667
Maryland	24	10	49,357
Massachusetts	70	57	359,506
Michigan	125	70	749,189
Minnesota	202	122	140,870
Mississippi	36	3	65,559
Missouri	116	55	393,172
Montana	55	25	7,900
Nebraska	118	30	150,775
Nevada	3	2	51,326
New Hampshire	34	25	38,679
New Jersey	85	56	324,476
New Mexico	39	9	79,587
New York	114	63	3,385,237
North Carolina	20	17	500,480
North Dakota	40	18	9,093
Ohio	163	108	778,420
Oklahoma	191	41	155,105
Oregon	7	3	237,210
Pennsylvania	205	50	540,967
Rhode Island	5	4	82,524
South Carolina	18	13	136,550
South Dakota	34	10	2,333,623
Tennessee	67	11	214,211
Texas	719	165	887,889
Utah	7	4	80,787
Vermont	11	3	7,407
Virginia	66	25	347,819
Washington	20	10	633,801
West Virginia	113	20	52,931
Wisconsin	129	102	320,071
Wyoming	50	23	6,383
District of Columbia—all*	17	15	190,542

* Includes the nonnational bank in the District of Columbia, which is also supervised by the Comptroller of the Currency

NOTE: Does not include data for one national bank in Oklahoma that did not report on June 30, 1982

Consolidated assets and liabilities of national banks with foreign operations, June 30, 1982
(Dollar amounts in millions)

	<i>Foreign* and domestic offices</i>	<i>Domestic offices</i>
Cash and due from depository institutions	\$157,184	\$ 66,709
U.S. Treasury securities	19,275	19,104
Obligations of other U.S. government agencies and corporations	11,383	11,356
Obligations of states and political subdivisions in the United States	39,388	38,759
Other bonds, notes and debentures	5,038	717
Federal Reserve stock and corporate stock	1,022	887
Trading account securities	8,198	7,395
Federal funds sold and securities purchased under agreements to resell	25,209	24,633
Loans, total (excluding unearned income)	499,874	362,057
Less, allowance for possible loan losses	5,322	5,107
Loans, net	494,552	356,950
Lease financing receivables	9,468	7,665
Bank premises, furniture and fixtures, and other assets representing bank premises	11,042	9,778
Real estate owned other than bank premises	1,152	1,060
Investments in unconsolidated subsidiaries and associated companies	1,226	333
Customers' liability on acceptances outstanding	42,555	30,761
Other assets	23,911	36,184
<i>Total assets</i>	<i>850,602</i>	<i>612,291</i>
Demand deposits of individuals, partnerships and corporations	91,011	91,011
Time and savings deposits of individuals, partnerships and corporations	258,672	258,672
Deposits of U.S. government	2,044	2,044
Deposits of states and political subdivisions in the United States	19,715	19,715
Deposits of foreign governments and official institutions	4,143	4,143
Deposits of commercial banks	31,655	31,655
Certified and officers' checks	4,257	4,257
Total deposits in domestic offices	411,497	411,497
Total demand deposits	119,164	119,164
Total time and savings deposits	292,333	292,333
Total deposits in foreign offices*	219,225	NA
<i>Total deposits</i>	<i>630,722</i>	<i>411,497</i>
Federal funds purchased and securities sold under agreements to repurchase	86,744	86,458
Interest-bearing demand notes issued to the U.S. Treasury	2,884	2,884
Other liabilities for borrowed money	19,654	8,712
Mortgage indebtedness and liabilities for capitalized leases	1,119	1,103
Banks' liability on acceptances executed and outstanding	42,760	32,889
Other liabilities	24,390	26,661
<i>Total liabilities</i>	<i>808,272</i>	<i>570,204</i>
Subordinated notes and debentures	2,595	2,352
Preferred stock	65	65
Common stock	7,786	7,786
Surplus	11,966	11,966
Undivided profits	19,593	19,593
Reserve for contingencies and other capital reserves	325	325
<i>Total equity capital</i>	<i>39,735</i>	<i>39,735</i>
<i>Total liabilities and equity capital</i>	<i>850,602</i>	<i>612,291</i>
Number of banks	129	

* For reporting purposes, foreign offices include Edge and Agreement subsidiaries located in the U.S. and branches in Puerto Rico, Virgin Islands and Trust Territories.

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, January 1 to June 30, 1982
(Dollar amounts in millions)

	Total United States	Alabama	Alaska	Arizona	Arkansas	California	Colorado
<i>Number of banks</i>	4,507	90	5	3	70	79	158
<i>Operating income</i>							
Interest and fees on loans	\$51,710.9	\$375.5	\$ 56.2	\$452.9	\$238.1	\$ 9,333.7	\$613.7
Interest on balances with depository institutions	7,715.2	28.0	8.1	30.6	2.1	1,553.5	4.4
Income on federal funds sold and securities purchased under agreements to resell	3,709.9	48.7	6.2	22.0	39.2	428.6	44.1
Interest on U.S. Treasury securities and on obligations of other U.S. government agencies and corporations	4,831.5	67.8	14.8	55.9	56.2	307.8	49.7
Interest on obligations of states and political subdivisions in the U.S.	2,844.9	54.6	12.0	35.2	22.6	111.5	40.3
Income from all other securities (including dividends on stock)	475.6	2.7	1.1	3.3	1.8	79.7	1.4
Income from lease financing	644.9	1.0	4.4	7.5	1.1	151.1	6.1
Income from fiduciary activities	1,006.7	12.8	9.9	8.8	3.5	102.1	15.7
Service charges on deposit accounts	1,172.4	18.0	4.4	28.3	10.3	196.4	21.7
Other service charges, commissions, and fees	2,052.7	21.5	6.2	11.6	8.6	277.8	23.4
Other operating income	1,629.8	9.6	1.2	7.6	5.9	298.9	14.8
<i>Total operating income</i>	77,794.6	640.3	110.5	660.7	389.5	12,841.2	835.7
<i>Operating expenses</i>							
Salaries and employee benefits	8,867.2	91.3	25.2	113.5	51.2	1,541.3	124.2
Interest on time certificates of \$100.00 or more (issued by domestic offices)	11,935.3	80.3	15.9	74.2	54.6	2,642.0	164.4
Interest on deposits in foreign offices	14,995.6	6.5	—	1.2	0	3,617.6	3.0
Interest on other deposits	16,108.8	236.2	19.5	243.6	149.7	1,917.5	168.9
Expense of federal funds purchased and securities sold under agreements to repurchase	7,906.8	51.3	12.1	53.0	39.8	789.9	104.3
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	2,092.8	6.9	1.1	5.1	3.0	300.7	12.2
Interest on subordinated notes and debentures	174.5	1.9	—	1.5	1.0	2.1	1.6
Occupancy expense of bank premises, net, and furniture and equipment expense	2,794.7	29.9	8.8	34.6	18.1	472.0	35.0
Provision for possible loan losses	2,048.7	16.9	1.2	22.8	7.1	246.8	27.6
Other operating expenses	5,720.9	59.5	11.8	54.3	32.7	687.1	102.8
<i>Total operating expenses</i>	72,645.4	580.6	95.6	603.8	357.2	12,217.2	743.9
Income before income taxes and securities gains or losses	5,149.2	59.7	14.9	56.9	32.3	624.0	91.8
Applicable income taxes	922.7	2.8	1.6	11.0	2.9	201.8	19.0
Income before securities gains or losses	4,226.5	56.9	13.3	45.9	29.4	422.2	72.8
Securities gains (losses), gross	-429.8	-2.7	-8	-1.8	-4	-7	-3.0
Applicable income taxes	-177.7	-6	-3	-9	—	-3	-1.4
Securities gains (losses), net	-252.0	-2.0	-4	-9	-4	-4	-1.6
Income before extraordinary items	3,974.6	54.9	12.8	45.0	29.1	421.9	71.3
Extraordinary items, net	5.8	0	0	0	0	0	—
<i>Net income</i>	3,980.3	54.9	12.8	45.0	29.1	421.9	71.3
Cash dividends declared on common stock	1,686.4	23.1	1.8	16.3	5.9	225.9	33.8
Cash dividends declared on preferred stock	4.1	0	0	0	3	0	—
<i>Total cash dividends declared</i>	1,690.5	23.1	1.8	16.3	6.2	225.9	33.8
Recoveries credited to allowance for possible loan losses	487.6	6.3	9	3.3	2.8	74.1	6.0
Losses charged to allowance for possible loan losses	1,804.9	23.9	1.0	24.9	7.6	290.9	25.8
<i>Net loan losses</i>	1,317.3	17.6	.1	21.6	4.8	216.8	19.8

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, January 1 to June 30, 1982—continued
(Dollar amounts in millions)

	Connecticut	Delaware	District of Columbia	Florida	Georgia	Hawaii	Idaho
Number of banks	16	10	16	191	62	3	7
Operating income							
Interest and fees on loans	\$199.2	\$ 20.6	\$372.2	\$1 118.5	\$525.8	\$ 6.2	\$179.5
Interest on balances with depository institutions	10.3	1	83.8	151.9	33.3	0	19.6
Income on federal funds sold and securities purchased under agreements to resell	10.2	2.1	26.8	180.1	49.2	3	14.1
Interest on U.S. Treasury securities and on obligations of other U.S. government agencies and corporations	14.4	1.1	31.7	241.8	60.4	3.0	25.5
Interest on obligations of states and political subdivisions in the U.S.	17.5	5	32.1	116.9	59.0	1	14.8
Income from all other securities (including dividends on stock)	1.0	1	1.2	4.4	9		3.0
Income from lease financing	4		2	3.0	7.6	3	1
Income from fiduciary activities	12.6	0	11.8	34.4	15.5	0	2.0
Service charges on deposit accounts	7.2	3	13.2	55.7	35.6	1	7.0
Other service charges, commissions, and fees	12.7	7	6.3	65.1	16.7	8	5.2
Other operating income	3.3	4	5.5	24.6	15.0	1	2.0
Total operating income	288.7	25.9	584.9	1,996.4	819.0	10.9	273.8
Operating expenses							
Salaries and employee benefits	56.6	3.2	77.7	299.0	134.4	2.3	40.4
Interest on time certificates of \$100.00 or more (issued by domestic offices)	21.3	7.7	132.4	218.2	79.4	3.2	29.5
Interest on deposits in foreign offices	8.6	0	128.5	35.8	27.4	0	0
Interest on other deposits	85.8	3.4	59.1	631.8	209.5	2.9	112.0
Expense of federal funds purchased and securities sold under agreements to repurchase	28.8	1.5	47.3	217.2	116.3	—	28.4
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	9.4	9	14.1	8.5	5.6	1	3.6
Interest on subordinated notes and debentures	4	0	3	1.2	2.5	—	1.0
Occupancy expense of bank premises, net, and furniture and equipment expense	19.4	9	28.1	104.8	42.3	1.0	9.2
Provision for possible loan losses	4.6	2.0	11.8	41.7	18.2	1	5.5
Other operating expenses	29.4	8.3	36.0	251.0	102.8	1.4	23.5
Total operating expenses	264.5	27.9	535.4	1,809.2	738.3	11.2	253.1
Income before income taxes and securities gains or losses							
Applicable income taxes	24.2	-2.0	49.6	187.2	80.7	-3	20.8
Income before securities gains or losses	39	-1.1	9.7	34.3	8.8	0	2.8
Securities gains (losses), gross	20.3	-9	39.9	152.9	71.8	-3	17.9
Applicable income taxes	-1		-5.0	-32.2	-5.3	2	-6
Securities gains (losses), net	-1		-2.1	-15.2	-2.3	—	-3
Income before extraordinary items							
Extraordinary items, net							
Net income							
Income before extraordinary items	20.3	-9	37.1	135.9	68.8	0	17.6
Extraordinary items, net	0	0	3	5	—	0	0
Net income	20.3	-9	37.4	136.4	68.8	—	17.6
Cash dividends declared on common stock							
Cash dividends declared on preferred stock	9.4	1	16.8	78.8	24.8	0	6.6
Total cash dividends declared	9.4	1	16.8	78.8	24.8	0	6.6
Recoveries credited to allowance for possible loan losses							
Losses charged to allowance for possible loan losses	2.0	3	3.3	14.8	16.0	1	1.9
Net loan losses	6.2	8	9.6	50.9	26.8	2	6.3
	4.2	5	6.3	36.1	10.8	1	4.4

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, January 1 to June 30, 1982—continued
(Dollar amounts in millions)

	Illinois	Indiana	Iowa	Kansas	Kentucky	Louisiana	Maine
Number of banks	405	118	101	149	76	52	10
Operating income							
Interest and fees on loans	\$4,900.1	\$ 657.6	\$274.6	\$283.5	\$323.3	\$491.6	\$44.8
Interest on balances with depository institutions	897.4	87.0	7.8	2.7	18.3	21.2	3.2
Income on federal funds sold and securities purchased under agreements to resell	217.1	74.0	66.4	69.2	58.8	74.9	4.0
Interest on U.S. Treasury securities and on obligations of other U.S. government agencies and corporations	423.2	159.9	60.9	76.2	77.3	146.1	13.0
Interest on obligations of states and political subdivisions in the U.S.	200.5	67.7	28.4	32.0	32.8	46.9	4.6
Income from all other securities (including dividends on stock)	40.9	8.6	1.4	2.8	4.4	1.3	1.1
Income from lease financing	19.9	8.3	—	1.0	7.5	3.3	0
Income from fiduciary activities	86.7	20.4	5.9	6.5	3.6	8.4	2.5
Service charges on deposit accounts	61.6	20.1	7.2	9.0	10.1	20.3	2.0
Other service charges, commissions, and fees	164.3	18.1	8.3	7.9	12.3	21.0	2.3
Other operating income	91.4	12.1	2.9	5.3	5.0	7.6	9
Total operating income	7,103.1	1,133.7	464.3	496.0	549.4	842.6	77.3
Operating expenses							
Salaries and employee benefits	557.9	141.8	48.3	57.9	66.0	106.2	14.1
Interest on time certificates of \$100.00 or more (issued by domestic offices)	1,239.7	114.1	34.5	67.0	74.2	171.3	4.4
Interest on deposits in foreign offices	1,898.5	20.4	2.8	0	6.0	5.0	0
Interest on other deposits	1,040.2	471.2	198.4	178.1	199.5	204.3	30.0
Expense of federal funds purchased and securities sold under agreements to repurchase	1,113.2	153.5	63.5	56.7	67.5	96.5	4.7
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	193.9	19.0	3.3	4.3	9.2	3.7	3.3
Interest on subordinated notes and debentures	4.6	1.2	1.1	6	5	1.3	1
Occupancy expense of bank premises, net, and furniture and equipment expense	180.9	50.2	15.6	17.0	24.5	36.2	4.7
Provision for possible loan losses	382.8	26.2	11.8	8.6	12.4	19.6	1.5
Other operating expenses	309.3	88.6	45.3	38.8	42.0	66.8	9.7
Total operating expenses	6,920.9	1,086.3	424.7	428.9	501.7	710.8	72.5
Income before income taxes and securities gains or losses							
Applicable income taxes	182.2	47.4	39.6	67.0	47.7	131.8	4.9
Income before securities gains or losses	-12.6	-8.0	4.8	15.5	4.5	36.0	1
	194.8	55.3	34.8	51.6	43.2	95.7	4.8
Securities gains (losses), gross	-26.3	-2.3	-1.7	-1.1	-6	-13.3	-3
Applicable income taxes	-12.6	-7	-8	-5	-2	-5.4	-1
Securities gains (losses), net	-13.7	-1.6	-9	-7	-3	-7.8	-1
Income before extraordinary items							
Extraordinary items, net	181.1	53.8	33.9	50.9	42.9	87.9	4.6
Net income	9	—	—	—	—	0	0
Cash dividends declared on common stock							
Cash dividends declared on preferred stock	182.0	53.8	33.9	50.9	42.9	87.9	4.6
Total cash dividends declared							
	75.1	24.0	16.4	15.6	14.3	25.2	2.2
	1	0	—	—	—	0	0
Recoveries credited to allowance for possible loan losses							
Losses charged to allowance for possible loan losses	75.3	24.0	16.4	15.6	14.3	25.2	2.2
Net loan losses							
	28.8	9.3	2.0	3.5	3.7	7.7	5
	203.8	28.3	12.6	9.0	13.2	20.5	1.5
	175.1	19.0	10.6	5.5	9.5	12.8	1.0

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, January 1 to June 30, 1982—continued
(Dollar amounts in millions)

	Maryland	Massachusetts	Michigan	Minnesota	Mississippi	Missouri	Montana
Number of banks	24	70	125	202	36	116	55
Operating income							
Interest and fees on loans	\$305 5	\$1,267 0	\$1,137 2	\$ 973 7	\$224 8	\$ 606 3	\$126 6
Interest on balances with depository institutions	69 0	262 4	251 8	126 5	9 2	28 3	8 8
Income on federal funds sold and securities purchased under agreements to resell	18 2	72 3	77 4	51 6	36 7	197 1	11 1
Interest on U.S. Treasury securities and on obligations of other U.S. government agencies and corporations	34 8	103 8	136 4	112 4	46 3	84 5	20 9
Interest on obligations of states and political subdivisions in the U.S.	32 6	53 1	88 2	74 0	28 1	56 1	17 4
Income from all other securities (including dividends on stock)	5	41 0	5 5	2 9	9	1 5	4
Income from lease financing	3 4	46 0	9 1	7 7	9	3 2	8
Income from fiduciary activities	6 1	50 0	31 5	24 0	2 9	22 9	3
Service charges on deposit accounts	15 6	18 1	34 3	20 9	11 0	13 4	4 1
Other service charges, commissions, and fees	8 2	53 8	38 1	43 9	7 7	26 4	4 0
Other operating income	7 9	52 0	38 1	49 3	4 2	31 3	1 3
Total operating income	501 9	2,019 4	1,847 8	1,487 0	372 8	1 070 9	189 9
Operating expenses							
Salaries and employee benefits	84 2	252 4	243 9	154 2	47 2	120 4	23 1
Interest on time certificates of \$100.00 or more (issued by domestic offices)	36 2	279 4	250 6	273 6	59 4	200 0	18 1
Interest on deposits in foreign offices	49 2	587 3	157 4	161 9	2 3	43 3	10
Interest on other deposits	153 1	168 1	627 2	372 4	132 4	211 6	88 0
Expense of federal funds purchased and securities sold under agreements to repurchase	51 5	249 9	191 0	167 5	43 2	245 9	10 4
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	13 2	126 1	35 9	59 1	3 2	20 0	2 4
Interest on subordinated notes and debentures	2	1 4	3 1	7 9	5	1 0	9
Occupancy expense of bank premises, net, and furniture and equipment expense	28 3	75 0	77 5	41 2	15 7	42 0	6 4
Provision for possible loan losses	7 4	38 0	53 0	32 7	18 9	23 0	2 7
Other operating expenses	37 3	138 1	136 2	106 8	31 6	90 1	17 0
Total operating expenses	460 5	1,915 5	1,775 8	1,377 3	354 6	997 4	169 0
Income before income taxes and securities gains or losses							
Applicable income taxes	41 4	103 9	72 0	109 7	18 2	73 5	20 9
Income before securities gains or losses	38	22 9	-7 2	17 0	-3 3	4 1	4 4
	37 6	81 0	79 2	92 8	21 6	69 3	16 5
Securities gains (losses), gross	-3 7	-14 9	-16 2	-4 3	- 5	-7 1	- 3
Applicable income taxes	1 8	-8 0	-4 1	-1 5	- 2	-3 0	- 1
Securities gains (losses), net	-2 0	-6 9	-12 1	-2 8	- 3	-4 1	- 2
Income before extraordinary items							
Extraordinary items, net	35 7	74 1	67 1	89 9	21 2	65 3	16 4
	0	0	3	1	3		
Net income	35 7	74 1	67 4	90 0	21 5	65 3	16 4
Cash dividends declared on common stock							
Cash dividends declared on preferred stock	45 2	31 4	25 0	32 7	7 7	36 5	9 7
	0	0			0	3	0
Total cash dividends declared	45 2	31 4	25 0	32 7	7 7	36 8	9 7
Recoveries credited to allowance for possible loan losses	3 1	15 3	7 2	4 5	2 2	6 2	9
Losses charged to allowance for possible loan losses	7 8	42 5	34 1	28 8	18 8	18 5	2 4
Net loan losses	4 7	27 2	26 9	24 3	16 6	12 3	1 5

Percent of total operating income							
Interest on deposits	47.5	51.2	56.0	54.3	52.1	42.5	55.9
Other interest expense	12.9	18.7	12.4	15.8	12.6	24.9	7.2
Salaries and employee benefits	16.8	12.5	13.2	10.4	12.7	11.2	12.2
Other noninterest expense	14.5	12.4	14.4	12.2	17.8	14.5	13.7
Total operating expenses	91.8	94.9	96.1	92.6	95.1	93.1	89.0
Ratio of net income to total equity capital (end of period)-percent	7.1	5.6	3.6	6.2	5.1	6.0	7.3

See notes at end of table

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, January 1 to June 30, 1982—continued
(Dollar amounts in millions)

	Nebraska	Nevada	New Hampshire	New Jersey	New Mexico	New York	North Carolina
Number of banks	118	3	34	85	39	114	20
Operating income							
Interest and fees on loans	\$284.1	\$101.5	\$ 79.7	\$ 805.4	\$160.2	\$11,347.3	\$ 766.2
Interest on balances with depository institutions	1.1	17.6	6.2	118.5	.87	2,188.3	141.3
Income on federal funds sold and securities purchased under agreements to resell	83.4	4.7	4.6	70.1	32.7	346.2	97.7
Interest on U.S. Treasury securities and on obligations of other U.S. government agencies and corporations	54.2	11.7	13.5	167.4	33.5	333.8	98.7
Interest on obligations of states and political subdivisions in the U.S.	27.6	8.1	7.2	81.6	16.4	245.5	62.1
Income from all other securities (including dividends on stock)	9	—	3	12.1	.2	206.5	1.8
Income from lease financing	3.0	1.9	—	5.9	.3	194.2	20.3
Income from fiduciary activities	6.8	2.4	2.6	19.1	2.4	138.9	25.0
Service charges on deposit accounts	6.3	7.5	2.0	31.4	6.3	66.9	30.9
Other service charges, commissions, and fees	20.8	2.0	2.5	29.8	6.4	627.1	29.2
Other operating income	4.3	2.0	.8	17.3	1.5	574.3	29.2
Total operating income	492.6	159.6	119.4	1,358.6	268.7	16,269.1	1,302.3
Operating expenses							
Salaries and employee benefits	54.1	27.2	19.7	212.4	35.1	1,522.0	163.8
Interest on time certificates of \$100.00 or more (issued by domestic offices)	43.6	25.3	14.5	134.9	56.9	1,201.8	119.2
Interest on deposits in foreign offices	0	0	0	28.3	0	6,766.2	183.5
Interest on other deposits	181.7	50.2	41.0	496.9	86.0	1,690.5	314.9
Expense of federal funds purchased and securities sold under agreements to repurchase	75.5	6.6	8.0	118.3	22.6	1,173.6	194.5
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	4.4	1.2	1.5	19.9	1.4	852.7	20.6
Interest on subordinated notes and debentures	1.1	0	1	2.0	.9	30.8	5.5
Occupancy expense of bank premises, net, and furniture and equipment expense	18.9	8.4	6.8	73.0	12.7	490.1	45.5
Provision for possible loan losses	8.1	5.3	1.7	24.2	4.8	291.5	28.2
Other operating expenses	42.9	18.9	16.1	129.6	21.1	1,255.0	102.3
Total operating expenses	430.3	143.1	109.3	1,239.5	241.4	15,274.3	1,178.1
Income before income taxes and securities gains or losses							
Applicable income taxes	62.3	16.5	10.1	119.1	27.3	994.8	124.2
Income before securities gains or losses	13.9	4.0	1.0	11.7	4.2	299.3	26.1
	48.4	12.5	9.1	107.5	23.0	695.5	98.2
Securities gains (losses), gross	- 4	- 5	- 3	- 4.8	- 1	- 74.6	- 24.3
Applicable income taxes	- 1	- 2	- 1	- 1.7	—	- 41.9	- 11.7
Securities gains (losses) net	- 3	- 3	- 2	- 3.1	—	- 32.7	- 12.5
Income before extraordinary items							
Extraordinary items, net	48.1	12.2	8.9	104.4	23.0	662.8	85.6
	—	0	—	—	—	1	0
Net income	48.1	12.2	8.9	104.4	23.0	662.9	85.6
Cash dividends declared on common stock							
Cash dividends declared on preferred stock	17.6	7.6	2.9	37.4	6.2	294.2	26.7
	—	0	0	—	3	1	0
Total cash dividends declared	17.6	7.6	2.9	37.4	6.5	294.3	26.7
Recoveries credited to allowance for possible loan losses	2.8	8	6	5.7	2.1	117.6	5.5
Losses charged to allowance for possible loan losses	8.8	4.2	1.5	24.4	5.5	372.4	20.7
Net loan losses	6.0	3.4	9	18.7	3.4	254.8	15.2

Percent of total operating income								
Interest on deposits	45 7	47 3	46 5	48 6	53 2	59 4	47 4	
Other interest expense	16 4	4 9	8 0	10 3	9 3	12 6	16 9	
Salaries and employee benefits	11 0	17 0	16 5	15 6	13 1	9 4	12 6	
Other noninterest expense	14 2	20 4	20 6	16 7	14 4	12 5	13 5	
Total operating expenses	87 4	89 7	91 5	91 2	89 8	93 9	90 5	
Ratio of net income to total equity capital (end of period)-percent	8 3	5 8	6 1	6 9	8 0	5 6	7 3	

See notes at end of table

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, January 1 to June 30, 1982—continued
(Dollar amounts in millions)

	North Dakota	Ohio	Oklahoma	Oregon	Pennsylvania	Rhode Island	South Carolina
Number of banks	40	163	191	7	205	5	18
Operating income							
Interest and fees on loans	\$ 95.6	\$1,299.8	\$ 779.0	\$427.0	\$2,204.5	\$221.4	\$175.5
Interest on balances with depository institutions	8.4	254.3	18.3	17.8	393.6	36.8	10.4
Income on federal funds sold and securities purchased under agreements to resell	8.4	142.9	84.9	18.3	153.6	14.2	36.5
Interest on U.S. Treasury securities and on obligations of other U.S. government agencies and corporations	22.8	240.4	116.4	23.9	398.9	21.9	34.5
Interest on obligations of states and political subdivisions in the U.S.	9.0	148.2	80.8	39.4	211.6	18.0	24.2
Income from all other securities (including dividends on stock)	5.5	6.0	1.7	2.2	17.0	7.7	2.2
Income from lease financing	3.3	27.5	2.4	2.7	16.7	11.6	5.5
Income from fiduciary activities	9.9	45.2	14.5	10.4	79.0	10.8	4.6
Service charges on deposit accounts	2.2	53.2	22.0	21.8	38.8	4.1	15.3
Other service charges, commissions, and fees	2.6	50.1	16.4	10.0	66.1	4.8	8.1
Other operating income	.8	32.2	27.7	7.1	64.2	12.0	6.3
Total operating income	151.6	2,299.9	1,164.0	578.8	3,644.1	356.3	316.1
Operating expenses							
Salaries and employee benefits	17.1	310.3	119.2	89.8	413.0	43.5	60.2
Interest on time certificates of \$100.00 or more (issued by domestic offices)	14.0	239.8	358.4	83.2	636.8	72.8	18.9
Interest on deposits in foreign offices	.0	48.3	10.0	5.1	391.7	23.7	.0
Interest on other deposits	78.8	833.0	266.3	211.5	936.7	81.8	90.1
Expense of federal funds purchased and securities sold under agreements to repurchase	4.5	300.5	97.4	41.5	477.9	56.5	41.1
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	1.1	49.3	14.5	13.0	96.6	12.3	7.5
Interest on subordinated notes and debentures	.8	1.2	3.0	2.5	43.5	1.5	.6
Occupancy expense of bank premises, net, and furniture and equipment expense	5.4	106.6	36.9	23.0	130.2	9.8	19.3
Provision for possible loan losses	3.1	46.6	34.7	24.6	75.7	9.8	5.4
Other operating expenses	11.6	197.9	82.5	49.7	202.3	31.2	33.8
Total operating expenses	136.4	2,133.5	1,023.0	544.0	3,404.4	342.8	276.9
Income before income taxes and securities gains or losses							
Applicable income taxes	15.2	166.4	141.1	34.8	239.7	13.5	39.2
Income before securities gains or losses	3.1	5.5	25.8	-4.7	17.0	-4.4	6.8
Income before securities gains or losses	12.1	161.0	115.2	39.5	222.7	17.8	32.4
Securities gains (losses), gross	-2	-69.8	-4.1	-5	-11.4	-7	-13.4
Applicable income taxes	-1	-9.2	-1.6	-1	-4.6	-4	-6.4
Securities gains (losses), net	-2	-60.5	-2.4	-3	-6.8	-3	-7.0
Income before extraordinary items							
Extraordinary items, net	12.0	100.4	112.8	39.1	215.9	17.5	25.4
Net income	.0	5	-	0	2	0	.7
Cash dividends declared on common stock	12.0	100.9	112.8	39.1	216.0	17.5	26.1
Cash dividends declared on preferred stock							
Total cash dividends declared	5.1	85.4	25.7	16.3	89.9	7.2	8.3
Recoveries credited to allowance for possible loan losses	.0	.8	.1	-	.5	.0	.0
Losses charged to allowance for possible loan losses	5.1	86.2	25.8	16.3	90.4	7.2	8.3
Net loan losses							
Recoveries credited to allowance for possible loan losses	1.0	21.1	9.3	3.0	15.1	2.2	2.1
Losses charged to allowance for possible loan losses	2.6	62.5	28.5	25.6	62.1	9.1	5.5
Net loan losses	1.6	41.6	19.2	22.6	47.0	6.9	3.4

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, January 1 to June 30, 1982—continued
(Dollar amounts in millions)

	South Dakota	Tennessee	Texas	Utah	Vermont	Virginia	Washington
Number of banks	34	67	719	7	11	66	26
Operating income							
Interest and fees on loans	\$345.7	\$443.9	\$4,476.2	\$202.9	\$27.3	\$499.5	\$1,103.7
Interest on balances with depository institutions	6.3	74.5	484.1	24.3	7	55.2	92.1
Income or federal funds sold and securities purchased under agreements to resell	8.9	65.0	426.5	13.2	2.7	50.0	42.1
Interest on U.S. Treasury securities and on obligations of other U.S. government agencies and corporations	31.4	77.5	394.4	15.8	3.1	72.1	62.4
Interest on obligations of states and political subdivisions in the U.S.	11.2	42.5	350.3	15.3	2.1	49.3	47.7
Income from all other securities (including dividends on stock)	4	1.7	7.5	1.8	2	1.2	4.7
Income from lease financing		2.7	13.0	2.8	0	3.5	37.8
Income from fiduciary activities	1.1	13.4	87.7	3.4	3	14.2	18.9
Service charges on deposit accounts	4.4	22.2	105.3	9.5	7	16.9	37.6
Other service charges, commissions, and fees	62.3	22.5	109.0	8.6	8	24.0	32.8
Other operating income	1.6	23.1	74.6	2.7	3	13.2	21.0
Total operating income	473.4	789.0	6,528.6	300.3	38.3	799.5	1,500.8
Operating expenses							
Salaries and employee benefits	28.5	114.3	611.5	37.8	5.8	122.8	226.7
Interest on time certificates of \$100.00 or more (issued by domestic offices)	133.5	92.0	1,758.2	64.4	3.5	62.3	309.9
Interest on deposits in foreign offices	0	5.3	625.7	12.9	0	1.4	97.8
Interest on other deposits	116.0	271.9	1,155.8	78.6	18.2	335.6	380.8
Expense of federal funds purchased and securities sold under agreements to repurchase	35.3	113.0	769.3	27.0	5	69.6	137.7
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	2.2	5.6	62.7	3.3	2	13.1	24.4
Interest on subordinated notes and debentures	1.0	5	26.8	2.2	1	2.4	8.4
Occupancy expense of bank premises, net, and furniture and equipment expense	9.1	39.9	169.5	9.7	2.0	39.7	72.0
Provision for possible loan losses	33.4	16.0	190.5	5.5	6	13.4	163.5
Other operating expenses	86.7	72.9	461.3	30.8	3.4	78.3	127.1
Total operating expenses	445.7	731.3	5,831.2	272.3	34.4	738.4	1,548.3
Income before income taxes and securities gains or losses							
Applicable income taxes	27.8	57.8	697.4	28.0	3.9	61.0	-47.5
Income before securities gains or losses	9.0	6.5	140.7	5.5	6	1.6	-48.5
Income before securities gains or losses	18.8	51.3	556.7	22.4	3.3	59.4	1.0
Securities gains (losses), gross	-1.0	-12.9	-51.0	-1.7	--	-4.6	-2.6
Applicable income taxes	-5	-6.0	-23.2	-8	--	-2.1	-1.2
Securities gains (losses), net	-5	-6.9	-27.8	-9	--	-2.5	-1.4
Income before extraordinary items							
Extraordinary items, net	18.3	44.4	528.9	21.6	3.3	56.9	-4
Net income	--	--	1.8	0	0	--	--
Cash dividends declared on common stock	18.3	44.4	530.8	21.6	3.3	56.9	-4
Cash dividends declared on preferred stock	7.3	26.1	120.6	8.1	1.0	24.3	30.8
Total cash dividends declared	0	1	4	0	0	0	7
Recoveries credited to allowance for possible loan losses	7.3	26.2	121.0	8.1	1.0	24.3	31.5
Losses charged to allowance for possible loan losses							
Net loan losses	14.7	7.0	27.1	1.0	2	5.0	11.0
	46.6	21.0	104.8	4.7	5	14.1	41.7
	31.9	14.0	77.7	3.7	3	9.1	30.7

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, January 1 to June 30, 1982—continued
(Dollar amounts in millions)

	West Virginia	Wisconsin	Wyoming	District of Columbia nonnational*
Assets	113	129	50	1
Liabilities				
Federal funds purchased	\$189.0	\$460.2	\$106.4	\$1.9
Interest on balances with depository institutions	8.5	25.5	3.1	—
Interest on federal funds sold and securities purchased under agreements to resell	51.5	40.5	10.8	5
Interest on U.S. Treasury securities and on obligations of other U.S. government agencies and corporations	84.4	72.4	20.6	1.0
Interest on obligations of states and political subdivisions in the U.S.	24.2	38.6	10.0	1
Income from all other securities (including dividends on stock)	1.0	3.6	2	1
Income from lease financing	4	6.0	2	0
Income from fiduciary activities	3.9	7.9	1.2	0
Service charges on deposit accounts	4.7	12.2	3.7	1
Other service charges, commissions, and fees	4.4	37.2	2.1	—
Other operating income	2.4	12.0	1.0	—
Total operating income	374.5	716.2	159.3	3.7
Operating expenses				
Salaries and employee benefits	42.0	92.9	19.5	6
Interest on time certificates of \$100.00 or more (issued by domestic offices)	27.3	93.1	25.8	3
Interest on deposits in foreign offices	0	32.9	0	0
Interest on other deposits	178.2	240.7	59.6	1.1
Expense of federal funds purchased and securities sold under agreements to repurchase	40.2	86.1	4.5	2
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	1.8	14.0	1.5	1
Interest on subordinated notes and debentures	2	9	4	0
Occupancy expense of bank premises, net, and furniture and equipment expense	12.6	29.0	5.5	1
Provision for possible loan losses	4.4	9.3	3.2	0
Other operating expenses	30.6	63.7	12.9	6
Total operating expenses	337.5	662.9	132.8	3.0
Income before income taxes and securities gains or losses	37.0	53.2	26.5	6
Applicable income taxes	4.3	8.3	6.1	0
Income before securities gains or losses	32.7	45.0	20.4	6
Securities gains (losses), gross	— 7	— 4.3	— 1.1	0
Applicable income taxes	— 2	— 2.4	— 5	0
Securities gains (losses), net	— 4	— 1.9	— 6	0
Income before extraordinary items	32.3	43.0	19.8	6
Extraordinary items, net	0	0	0	0
Net income	32.3	43.0	19.8	6
Cash dividends declared on common stock	8.7	18.1	6.5	0
Cash dividends declared on preferred stock	0	0	3	0
Total cash dividends declared	8.7	18.1	6.8	0
Provisions credited to allowance for possible loan losses	1.9	3.4	1.1	—
Losses charged to allowance for possible loan losses	5.3	13.1	3.1	1
Net loan losses	3.4	9.7	2.0	—
Percent of total operating income				
Interest on deposits	54.9	51.2	53.6	37.8
Other interest expenses	11.3	14.1	4.0	8.1
Salaries and employee benefits	11.2	13.0	12.2	16.2
Other noninterest expense	12.7	14.3	13.6	18.9
Total operating expenses	90.1	92.6	83.4	81.1
Return on net income to total equity capital (end of period), percent	5.7	5.3	9.3	20.0

* National banks in the District of Columbia are supervised by the Comptroller of the Currency.

NOTES: Dollar indicate amount of less than \$50,000. Figures may not add to totals because of rounding. Foreign offices are defined to include Edge Act and Agreement subsidiaries in the U.S., branches located in Puerto Rico, the Virgin Islands and U.S. Trust Territories and branches and subsidiaries located in foreign countries. Data are from the consolidated report of income filed quarterly by all national banks. The national bank-owned trust company in Wisconsin and one national bank that failed to report on June 30, 1982 are excluded from this table.

National banks engaged in lease financing, June 30, 1982
(Dollar amounts in thousands)

	<i>Total number of national banks</i>	<i>Number of lease engagements financing</i>	<i>Amount of financing</i>
All national banks	4 507	923	\$9 284 004
Alabama	90	17	77 684
Alaska	5	1	1 406
Arizona	3	1	64 246
Arkansas	70	15	31 953
California	79	21	3 282 769
Colorado	158	59	125 073
Connecticut	16	1	6 394
Delaware	10	0	1
District of Columbia	16	4	27 442
Florida	191	30	57 268
Georgia	62	14	109 378
Hawaii	3	1	3 561
Idaho	7	4	57 571
Illinois	405	77	197 582
Indiana	118	31	160 478
Iowa	101	24	10 202
Kansas	149	26	10 502
Kentucky	76	14	148 242
Louisiana	52	10	48 000
Maine	10	0	0
Maryland	24	6	70 684
Massachusetts	70	14	412 768
Michigan	125	19	258 132
Minnesota	202	45	242 495
Mississippi	36	6	11 689
Missouri	116	28	111 072
Montana	55	18	8 651
Nebraska	118	34	63 768
Nevada	3	2	34 323
New Hampshire	34	2	526
New Jersey	85	12	104 420
New Mexico	39	15	4 246
New York	114	18	599 067
North Carolina	20	6	258 505
North Dakota	40	13	6 113
Ohio	163	50	431 116
Oklahoma	191	76	35 691
Oregon	7	2	68 560
Pennsylvania	205	11	301 524
Rhode Island	5	3	182 186
South Carolina	18	2	10 027
South Dakota	34	7	1 198
Tennessee	67	14	52 170
Texas	719	88	367 862
Utah	7	2	82 234
Vermont	11	0	0
Virginia	66	4	52 268
Washington	20	9	622 617
West Virginia	113	16	9 091
Wisconsin	129	32	69 591
Wyoming	50	18	2 687
District of Columbia—all*	17	1	27 442

* Includes the nonnational bank in the District of Columbia which is also supervised by the Comptroller of the Currency.
NOTE Does not include data for one national bank in Oklahoma that did not report on June 30, 1982.

Average banks' percent of loans past due, by assets, quarterly since September 1980

	Assets in millions of dollars									
	<i>Less than \$10</i>	<i>\$10 to \$20</i>	<i>\$20 to \$25</i>	<i>\$25 to \$40</i>	<i>\$40 to \$100</i>	<i>\$100 to \$300</i>	<i>\$300 to \$900</i>	<i>\$900 to \$5,000</i>	<i>\$5,000 or more</i>	<i>All national banks</i>
Real estate										
Sept 1980	4.0	3.7	3.7	3.5	3.3	3.2	3.5	4.5	4.7	3.5
Dec 1980	4.0	3.6	4.0	3.7	3.3	3.3	3.5	4.2	4.9	3.6
Mar 1981	4.2	3.8	3.8	3.9	3.6	3.5	3.9	4.9	5.4	3.8
June 1981	3.8	3.9	4.0	3.7	3.6	3.4	3.8	4.9	4.8	3.7
Sept 1981	4.5	4.2	3.9	4.0	3.7	3.6	4.3	5.1	5.7	4.0
Dec 1981	4.9	4.3	4.4	4.5	4.0	3.9	4.4	4.9	5.9	4.3
Mar 1982	5.1	4.7	4.9	4.5	4.5	3.9	4.4	5.3	6.6	4.5
June 1982	4.4	4.8	5.1	4.7	4.5	4.1	4.7	5.1	6.1	4.6
Commercial and industrial										
Sept 1980	4.6	4.8	4.8	4.7	4.7	4.6	4.1	4.3	4.4	4.7
Dec 1980	4.3	4.5	4.6	4.7	4.4	4.3	4.1	3.9	4.2	4.5
Mar 1981	4.4	5.1	4.6	4.7	4.9	4.8	4.5	4.5	4.5	4.8
June 1981	4.8	5.0	4.6	4.9	5.0	4.7	4.5	4.7	4.1	4.9
Sept 1981	5.2	5.2	5.4	5.4	5.6	5.4	4.7	5.1	4.8	5.4
Dec 1981	5.3	5.2	4.8	5.7	5.5	5.3	4.6	5.1	4.7	5.3
Mar 1982	5.5	5.4	5.4	5.9	5.8	5.8	5.2	5.3	4.2	5.7
June 1982	5.2	5.6	5.8	6.0	6.2	6.0	5.5	5.8	4.8	5.9
Personal										
Sept 1980	4.0	4.1	4.4	4.0	3.6	3.0	2.8	3.5	3.7	3.7
Dec 1980	4.2	4.3	3.8	4.2	3.6	3.1	2.9	3.4	3.6	3.8
Mar 1981	4.0	3.9	3.7	3.8	3.4	2.9	2.7	3.3	3.3	3.5
June 1981	4.1	3.8	2.6	3.7	3.4	2.8	2.5	3.2	3.0	3.5
Sept 1981	3.7	3.9	3.5	3.9	3.5	3.0	2.7	3.4	3.5	3.5
Dec 1981	4.2	4.0	4.0	4.3	3.8	3.3	3.0	3.4	3.3	3.8
Mar 1982	3.8	4.0	3.9	4.1	3.7	3.3	2.8	3.2	3.1	3.7
June 1982	3.5	4.0	4.2	3.9	3.6	3.1	2.8	3.2	2.9	3.7
All other										
Sept 1980	3.9	4.8	3.5	4.2	4.6	4.7	3.6	4.2	4.3	4.4
Dec 1980	3.8	4.2	3.9	4.8	4.5	4.2	2.9	3.7	4.1	4.3
Mar 1981	3.9	3.5	4.4	5.1	4.7	4.8	3.7	4.2	4.0	4.4
June 1981	4.8	3.4	3.8	5.0	4.4	5.1	3.4	4.1	3.9	4.4
Sept 1981	4.3	3.3	3.7	5.0	4.0	4.5	4.0	3.9	4.6	4.1
Dec 1981	5.0	3.1	4.4	4.8	5.1	4.4	4.8	3.5	5.3	4.5
Mar 1982	4.6	5.0	4.9	5.0	4.7	5.2	4.6	3.9	3.8	4.8
June 1982	3.5	4.5	3.9	4.6	4.7	4.8	4.4	4.1	4.0	4.5
Total loans										
Sept 1980	3.5	3.5	3.8	3.7	3.5	3.4	3.4	4.0	4.0	3.6
Dec 1980	3.6	3.6	3.8	3.9	3.6	3.4	3.4	3.8	3.9	3.6
Mar 1981	3.5	3.6	3.8	3.9	3.7	3.6	3.7	4.2	4.1	3.7
June 1981	3.7	3.6	3.6	3.8	3.7	3.5	3.6	4.2	3.8	3.7
Sept 1981	3.8	3.7	3.9	4.0	3.9	3.8	3.8	4.5	4.4	3.9
Dec 1981	4.3	3.9	4.1	4.4	4.2	4.0	3.9	4.4	4.4	4.1
Mar 1982	4.1	4.3	4.4	4.6	4.4	4.2	4.1	4.6	4.3	4.3
June 1982	3.5	4.2	4.6	4.5	4.4	4.3	4.4	4.7	4.4	4.3

See notes on page 137

Average banks' percent of loans past due, by deposits, quarterly since September 1980

	<i>Deposits in millions of dollars</i>								
	<i>Less than \$5</i>	<i>\$5 to \$10</i>	<i>\$10 to \$25</i>	<i>\$25 to \$50</i>	<i>\$50 to \$100</i>	<i>\$100 to \$500</i>	<i>\$500 to \$1,000</i>	<i>\$1,000 or more</i>	<i>All national banks</i>
Real estate									
Sept 1980	4.1	3.7	3.7	3.5	3.2	3.2	4.2	4.4	3.5
Dec 1980	3.8	4.1	3.8	3.5	3.2	3.4	3.8	4.4	3.6
Mar 1981	3.1	4.3	3.8	3.8	3.6	3.5	4.4	5.1	3.8
June 1981	3.0	4.2	3.9	3.7	3.4	3.5	4.5	4.8	3.7
Sept 1981	3.0	5.0	4.1	3.9	3.7	3.7	4.8	5.3	4.0
Dec 1981	3.7	4.9	4.4	4.3	3.9	4.0	4.7	5.3	4.3
Mar 1982	5.6	4.9	4.6	4.7	4.2	4.1	4.8	5.7	4.5
June 1982	3.3	4.8	4.8	4.7	4.4	4.1	4.9	5.5	4.6
Commercial and industrial									
Sept 1980	3.6	4.9	4.8	4.7	4.7	4.5	3.9	4.4	4.7
Dec 1980	2.9	4.6	4.7	4.6	4.5	4.2	3.8	4.1	4.5
Mar 1981	3.5	4.7	5.0	4.5	5.0	4.7	4.1	4.7	4.8
June 1981	3.6	4.9	4.9	4.8	5.1	4.7	4.3	4.8	4.9
Sept 1981	3.5	5.8	5.3	5.5	5.6	5.2	4.8	5.2	5.4
Dec 1981	4.2	5.3	5.2	5.6	5.5	5.0	5.0	5.2	5.3
Mar 1982	3.3	6.0	5.5	6.0	5.7	5.7	5.2	5.1	5.7
June 1982	2.4	6.2	5.7	6.4	6.0	5.9	5.6	5.9	5.9
Personal									
Sept 1980	3.5	4.2	4.2	3.8	3.4	3.0	3.0	3.5	3.7
Dec 1980	3.1	4.4	4.2	3.9	3.4	3.1	3.1	3.4	3.8
Mar 1981	2.8	4.2	3.9	3.6	3.2	2.9	2.8	3.4	3.5
June 1981	3.0	4.4	3.7	3.7	3.1	2.7	2.6	3.4	3.5
Sept 1981	2.6	4.2	3.8	3.7	3.2	2.9	3.0	3.5	3.5
Dec 1981	2.7	4.5	4.1	4.1	3.6	3.1	3.2	3.4	3.8
Mar 1982	2.4	4.3	4.0	4.0	3.5	3.2	3.3	3.1	3.7
June 1982	2.3	4.1	4.0	3.9	3.5	3.0	3.3	3.1	3.7
All other									
Sept 1980	3.5	4.9	4.2	4.1	5.1	4.4	3.5	4.1	4.4
Dec 1980	2.1	4.1	4.4	4.5	4.6	3.9	2.8	2.9	4.3
Mar 1981	2.3	4.1	4.3	4.6	5.1	4.4	3.4	4.1	4.4
June 1981	3.9	4.8	3.8	4.6	4.7	4.5	3.2	4.0	4.4
Sept 1981	2.2	4.4	3.9	4.4	3.9	4.5	4.0	4.2	4.1
Dec 1981	4.5	4.4	3.8	4.9	5.0	4.4	4.7	4.0	4.5
Mar 1982	1.6	5.3	5.0	4.8	4.8	5.1	4.1	3.7	4.8
June 1982	2.8	3.7	4.6	4.5	4.4	5.0	3.6	4.4	4.5
Total loans									
Sept 1980	2.9	3.6	3.7	3.6	3.5	3.4	3.6	4.0	3.6
Dec 1980	2.6	3.9	3.8	3.7	3.5	3.4	3.4	3.9	3.6
Mar 1981	2.3	3.8	3.8	3.7	3.7	3.6	3.7	4.3	3.7
June 1981	2.5	4.0	3.6	3.7	3.6	3.5	3.7	4.3	3.7
Sept 1981	2.5	4.3	3.8	3.9	3.8	3.8	4.1	4.6	3.9
Dec 1981	3.1	4.5	4.0	4.3	4.1	3.9	4.2	4.5	4.1
Mar 1982	2.9	4.6	4.3	4.5	4.3	4.2	4.4	4.5	4.3
June 1982	2.0	4.3	4.4	4.5	4.3	4.3	4.5	4.8	4.3

See notes on page 137

Average banks' percent of loans past due, by national bank region, quarterly since September 1980

	National bank region														United States
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Real Estate															
Sept 1980	3.7	4.4	4.3	3.2	3.7	2.6	3.6	4.1	3.1	3.5	2.9	4.7	4.1	3.8	3.5
Dec 1980	4.0	4.6	4.6	3.2	4.0	2.7	3.6	4.4	3.2	3.5	3.0	4.2	4.2	3.5	3.6
Mar 1981	4.2	4.7	4.8	3.3	4.0	3.1	4.0	4.3	3.5	3.9	3.2	4.2	4.5	3.3	3.8
June 1981	3.7	4.2	4.7	3.5	3.9	2.4	4.0	4.4	3.5	3.8	3.3	4.7	3.9	4.0	3.7
Sept 1981	3.8	4.3	4.7	3.8	4.0	2.8	4.4	4.7	3.8	4.6	3.1	4.8	4.2	4.6	4.0
Dec 1981	4.3	4.9	4.8	4.1	4.2	3.3	4.5	5.2	3.9	4.5	3.5	5.5	5.1	N.A.	4.3
Mar 1982	4.5	5.0	N.A.	4.7	4.3	3.8	4.8	5.2	4.5	4.7	3.7	5.3	5.5	N.A.	4.5
June 1982	4.3	5.0	N.A.	4.7	4.2	3.5	5.0	5.4	4.5	4.7	3.7	5.6	5.7	N.A.	4.6
Commercial and industrial															
Sept 1980	4.5	5.0	6.1	4.8	5.6	3.5	5.1	4.6	4.8	4.2	3.7	5.7	6.3	7.1	4.7
Dec 1980	5.0	4.8	5.8	4.1	5.3	3.9	5.2	4.2	4.8	3.7	3.7	5.0	5.6	4.8	4.5
Mar 1981	5.5	5.4	7.0	4.3	4.9	3.6	5.6	4.7	5.2	4.2	3.6	5.4	6.1	6.8	4.8
June 1981	5.0	5.3	5.9	4.5	5.7	3.8	5.7	4.4	5.6	4.1	3.8	6.1	6.1	8.5	4.9
Sept 1981	5.1	5.7	6.5	5.4	5.8	4.4	6.2	4.6	6.1	5.1	4.1	6.0	7.2	9.4	5.4
Dec 1981	5.6	5.6	6.1	5.3	5.9	4.3	6.1	4.8	6.0	5.1	4.0	6.5	7.8	N.A.	5.3
Mar 1982	6.4	6.4	N.A.	6.4	5.5	4.6	6.7	5.1	7.0	5.2	4.1	6.1	8.0	N.A.	5.7
June 1982	5.8	6.6	N.A.	6.6	6.0	4.9	6.8	5.2	7.0	5.3	4.5	6.7	8.3	N.A.	5.9
Personal															
Sept 1980	3.6	3.8	4.0	3.8	3.9	2.3	3.7	4.4	3.8	4.0	3.7	3.8	3.9	3.0	3.7
Dec 1980	3.7	3.7	4.4	3.7	4.0	2.5	3.7	4.8	3.7	3.7	3.9	3.5	4.0	2.8	3.8
Mar 1981	3.7	3.6	4.0	3.4	3.7	2.1	3.6	4.4	3.7	3.8	3.3	3.3	3.6	3.0	3.5
June 1981	3.6	3.5	3.8	3.5	4.0	2.0	3.5	4.1	3.7	3.8	3.2	3.4	2.6	2.6	3.5
Sept 1981	3.4	3.6	3.8	3.5	3.8	2.4	3.6	4.2	3.7	4.0	3.3	3.3	3.6	3.2	3.5
Dec 1981	3.9	3.8	4.4	3.9	4.1	2.6	3.7	4.5	4.0	4.3	3.6	3.6	3.7	N.A.	3.8
Mar 1982	3.7	4.1	N.A.	3.8	3.7	2.3	3.8	4.2	4.1	3.9	3.5	3.6	3.9	N.A.	3.7
June 1982	3.7	3.8	N.A.	3.8	3.8	2.4	3.7	4.4	4.1	4.1	3.2	3.4	3.7	N.A.	3.7
All other															
Sept 1980	6.1	5.5	3.6	3.5	5.5	4.5	4.1	4.1	3.3	2.5	5.0	5.6	3.7	15.1	4.4
Dec 1980	6.3	4.8	4.0	3.8	4.2	4.0	3.7	4.8	3.1	3.1	4.4	7.1	5.0	7.5	4.3
Mar 1981	5.8	6.2	2.7	4.3	4.2	4.8	4.2	4.6	3.2	3.5	4.7	6.1	5.5	5.1	4.4
June 1981	5.7	5.2	3.5	4.7	3.2	5.2	3.4	3.8	3.0	3.8	5.1	5.6	5.2	10.3	4.4
Sept 1981	4.9	6.2	3.2	3.5	3.0	5.3	3.6	3.5	3.2	3.2	4.5	6.6	4.7	9.2	4.1
Dec 1981	4.6	4.4	3.3	4.2	3.7	5.4	3.5	5.1	3.5	4.0	5.0	6.9	7.0	N.A.	4.5
Mar 1982	5.4	4.2	N.A.	4.3	4.7	4.9	5.0	4.3	4.5	3.9	4.7	7.5	7.7	N.A.	4.8
June 1982	4.6	4.3	N.A.	3.3	3.8	5.2	4.5	3.4	3.7	3.6	5.2	7.0	6.0	N.A.	4.5
Total loans															
Sept 1980	3.9	4.3	4.4	3.6	4.0	2.6	3.8	4.0	3.3	3.0	3.1	4.2	4.3	4.3	3.6
Dec 1980	4.2	4.3	4.7	3.5	4.2	2.8	3.8	4.3	3.5	2.9	3.3	4.1	4.6	3.7	3.6
Mar 1981	4.5	4.4	4.7	3.5	4.1	2.7	4.1	4.2	3.7	3.2	3.1	4.1	4.7	4.1	3.7
June 1981	4.1	4.2	4.5	3.6	4.2	2.5	4.0	3.9	3.7	3.1	3.1	4.3	4.5	4.6	3.7
Sept 1981	4.0	4.3	4.6	3.9	4.2	2.8	4.3	4.1	4.0	3.4	3.3	4.4	4.9	5.4	3.9
Dec 1981	4.5	4.6	4.8	4.2	4.5	3.1	4.4	4.5	4.2	3.7	3.5	5.0	5.4	N.A.	4.1
Mar 1982	4.8	4.7	N.A.	4.5	4.4	3.2	4.8	4.4	4.8	3.9	3.6	5.1	5.7	N.A.	4.3
June 1982	4.5	4.7	N.A.	4.5	4.5	3.2	4.8	4.5	4.6	3.8	3.6	5.1	5.7	N.A.	4.3

Beginning with the reports for December 1981, national banks located in old Region 14 (California, Hawaii and Nevada) are included in Region 13. Beginning with the September 30, 1981 reports, national banks located in the upper peninsula of Michigan are included in Region 9 and excluded from Region 7. Beginning with the March 31, 1982 reports, national banks located in Pennsylvania and Delaware are included in Region 2. The current composition of the regions and other information is given in the notes on page 137.

Average banks' percent of loans past due at foreign offices, quarterly since September 1980

	Assets in millions of dollars			
	\$300 to \$900	\$900 to \$5,000	\$5,000 or more	All national banks
Foreign office loans				
Sept 1980	0.7	1.2	1.2	1.1
Dec 1980	1.1	1.4	0.9	1.3
Mar 1981	1.8	1.0	0.9	1.1
June 1981	1.9	1.1	0.7	1.1
Sept 1981	1.7	1.4	1.0	1.3
Dec 1981	1.3	1.4	1.4	1.4
Mar 1982	1.3	1.7	1.9	1.6
June 1982	2.4	2.2	2.1	2.2

NOTES:

Average Banks' Percent of Loans Past Due—Percentages reported are averages of individual banks' percentages of loans past due with each bank accorded the same weight regardless of size; those individual bank percentages are based on dollar value of loans past due. All figures are as of the last day of the month indicated.

Past Due Loan Data—Beginning November 1974, all national banks were requested to submit bimonthly reports listing their total loans outstanding and amount past due as of the end of the month. Beginning with September 1975, the reports have been collected quarterly to coincide with call report dates. The primary purpose of the data is to assist the Office in monitoring the performance of individual banks. However, the Office periodically provides aggregate or average figures for public use.

Past Due Loan Criteria—Banks are directed to use the same criteria used by national bank examiners as this report is a supplement to the regular examination report. That is, loans past due are: (1) beginning with December 1977, single payment notes 15 days or more past maturity—prior to that, six days or more past maturity; (2) single payment notes with interest due at specified intervals and demand notes on which interest is due and unpaid for 15 days or more; and (3) consumer, mortgage or term loans payable in regular installments on which one installment is due and unpaid for 30 days or one month.

Loan Categories—The loan categories for this report correspond to those for the report of condition except for "Other Loans." "Other Loans" includes loans to financial institutions, loans for purchasing or carry securities, loans to farmers and all other loans not included in the specified categories.

National Bank Regions—Region 1: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont; Region 2: Delaware, New Jersey, New York, Pennsylvania, Puerto Rico and Virgin Islands; Region 4: Indiana, Kentucky and Ohio; Region 5: District of Columbia, Maryland, North Carolina, Virginia and West Virginia; Region 6: Florida, Georgia and South Carolina; Region 7: Illinois and Michigan (excludes banks in the upper peninsula); Region 8: Alabama, Arkansas, Louisiana, Mississippi and Tennessee; Region 9: Michigan (banks in the upper peninsula only), Minnesota, North Dakota, South Dakota and Wisconsin; Region 10: Iowa, Kansas, Missouri and Nebraska; Region 11: Oklahoma and Texas; Region 12: Arizona, Colorado, New Mexico, Utah and Wyoming; Region 13: Alaska, California, Hawaii, Idaho, Montana, Nevada, Oregon and Washington.

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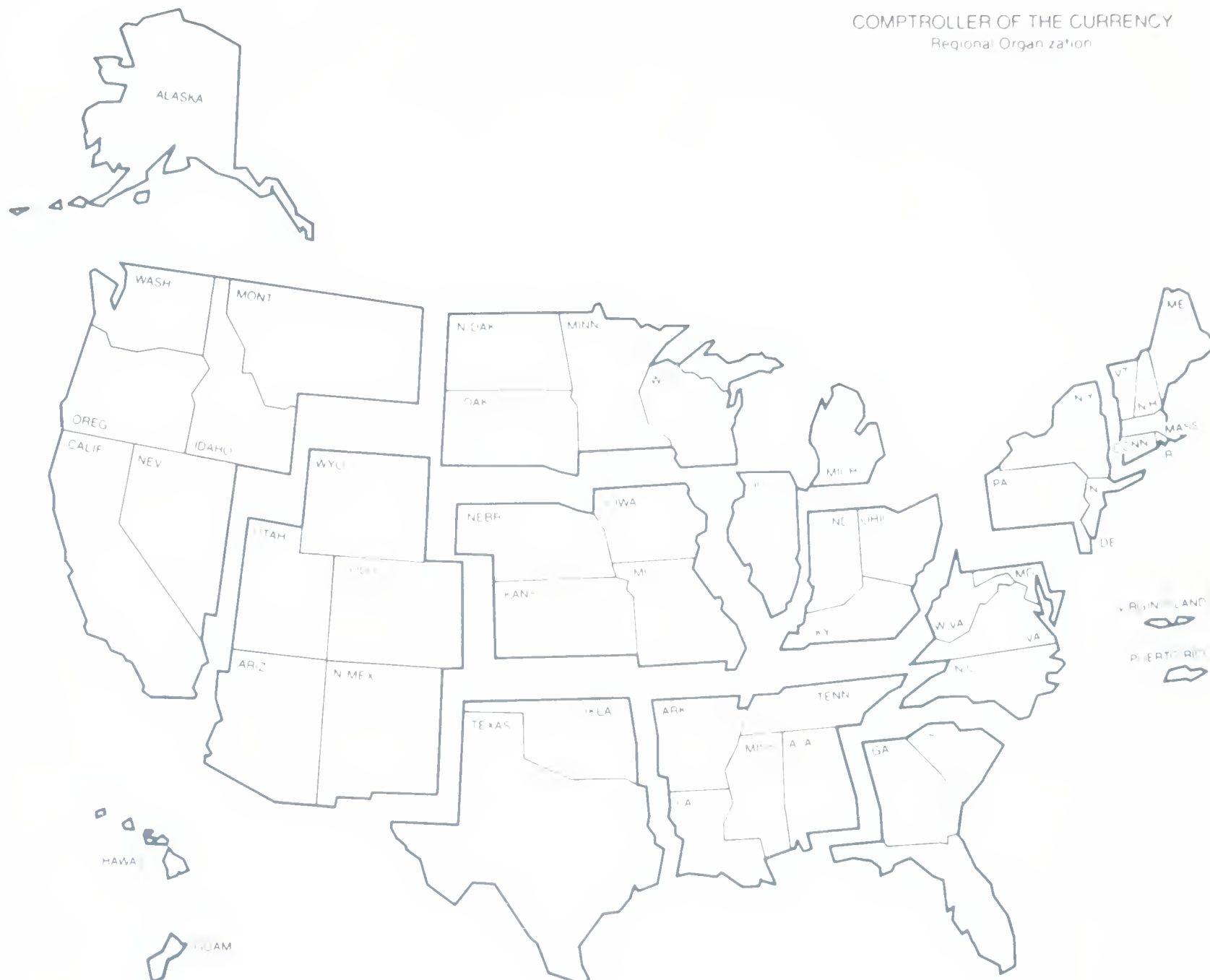
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